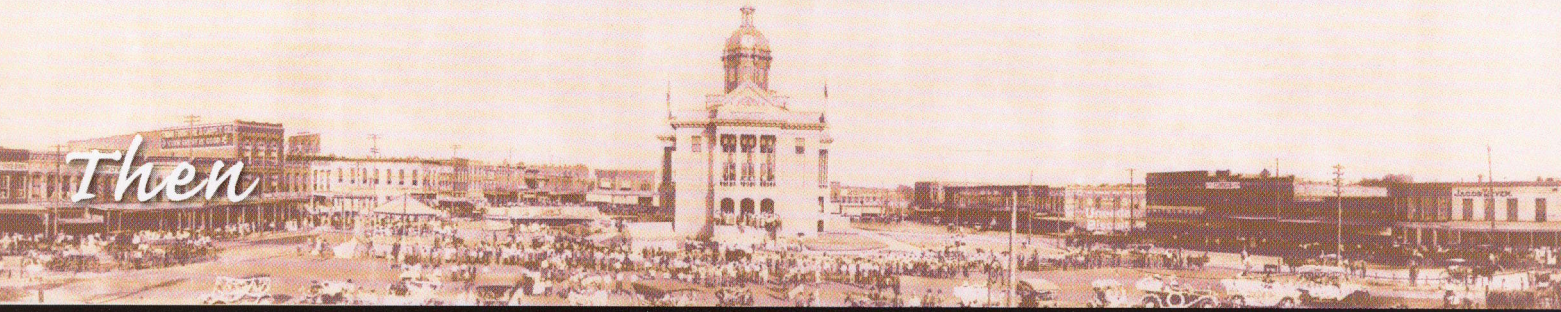


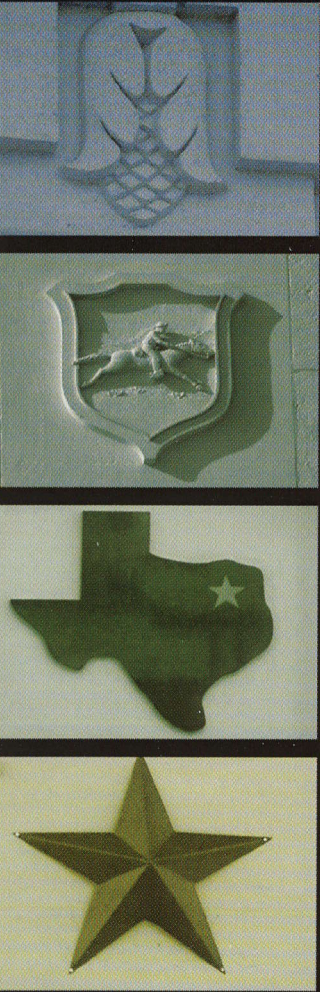
Then



City of Tyler, Texas

2006-2007
Comprehensive Annual Financial Report

For Fiscal Year Ended
September 30, 2007



Today

CITY OF TYLER, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2007

MAYOR – JOEY SEEBER

Members of City Council:

Steve Smith
Donald Sanders
Ralph Caraway
Chris Simons
Nathaniel Moran
Charles Alworth

City Manager – Bob Turner

Deputy City Manager – Mark McDaniel

Daniel Crawford, Chief Financial Officer
Administrative Services Department
City Hall
Tyler, Texas



A Natural Beauty

CITY OF TYLER, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

TABLE OF CONTENTS

	<u>EXHIBIT/ SCHEDULE</u>	<u>PAGE(S)</u>
<u>INTRODUCTORY SECTION</u>		
Letter of Transmittal		i-v
GFOA Certificate of Achievement for Excellence In Financial Reporting		vii
Organizational Blueprint		viii
List of Principal Officials		ix
<u>FINANCIAL SECTION</u>		
Independent Auditors' Report		1-2
Management's Discussion and Analysis		3-11
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	1	13
Statement of Activities	2	14
Fund Financial Statements:		
Balance Sheet – Governmental Funds	3	15-16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	4	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	6	19-20
Statement of Net Assets – Proprietary Funds	7	21
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	8	22
Statement of Cash Flows – Proprietary Funds	9	23
Statement of Fiduciary Net Assets – Fiduciary Funds	10	24
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	11	25
Notes to the Financial Statements		26-52
Required Supplementary Information:		
Schedules of Funding Progress:		
Texas Municipal Retirement System	A-1	53
Tyler Firefighter's Relief and Retirement Fund	A-1	53

CITY OF TYLER, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

TABLE OF CONTENTS

	<u>EXHIBIT/ SCHEDULE</u>	<u>PAGE(S)</u>
Additional Supplemental Information:		
Non-Major Governmental Funds:		
Combining Balance Sheet	B-1	57-59
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	B-2	60-62
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:		
Development Services Fund	B-3	63
Police Forfeiture Fund	B-4	64
Court Technology Fund	B-5	65
Hotel-Motel Occupancy Tax Fund	B-6	66
Tourism and Convention Fund	B-7	67
Passenger Facility Charge Fund	B-8	68
Oil and Natural Gas Fund	B-9	69
General Debt Service Fund	B-10	70
Capital Projects Fund	B-11	71
Detailed Schedule of Revenues and Expenses – Budget and Actual Cemeteries Fund	B-12	72
Internal Service Funds:		
Combining Statement of Net Assets	C-1	74
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	C-2	75
Combining Statement of Cash Flows	C-3	76-77
Detailed Schedules of Revenues and Expenses – Budget and Actual:		
Productivity Improvement Fund	C-4	78
Fleet Maintenance and Replacement Fund	C-5	79
Property and Liability Insurance Fund	C-6	80
Employee Benefits Fund	C-7	81
Retiree Benefits Fund	C-8	82
Property and Facility Management Fund	C-9	83
Technology Fund	C-10	84
Major Governmental Funds:		
Detailed Schedule of Revenues – Budget and Actual General Fund	D-1	86-88
Detailed Schedule of Expenditures – Budget and Actual General Fund	D-2	89-92
Detailed Schedule of Revenues – Budget and Actual Utilities Fund	D-3	93
Detailed Schedule of Expenses – Budget and Actual Utilities Fund	D-4	94-95
Detailed Schedule of Revenues and Expenses – Budget and Actual Sanitation Fund	D-5	96-97
Detailed Schedule of Revenues and Expenses – Budget and Actual Airport Fund	D-6	98

CITY OF TYLER, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

TABLE OF CONTENTS

	<u>EXHIBIT/ SCHEDULE</u>	<u>PAGE(S)</u>
<u>SINGLE AUDIT SECTION</u>		
Schedule of Expenditures of Federal Awards	E-1	99-100
Schedule of Expenditures of State Awards	E-2	102
Summary Schedule of Prior Audit Findings		104-105
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		107-108
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and State of Texas Single Audit Circular		109-110
Schedule of Findings and Questioned Costs		111-112
<u>STATISTICAL SECTION (UNAUDITED)</u>		
Net Assets by Component	1	115
Changes in Net Assets	2	116-117
Governmental Activities Tax Revenues by Source	3	118
Fund Balances of Governmental Funds	4	119
Changes in Fund Balances of Governmental Funds	5	120
General Governmental Tax Revenues by Source	6	121
Assessed Value and Estimated Actual Value of Taxable Property	7	122
Property Tax Rates – Direct and Overlapping Governments	8	123
Principal Property Taxpayers	9	124
Property Tax Levies and Collections	10	125
Ratios of Outstanding Debt by Type	11	126
Ratios of General Bonded Debt Outstanding	12	127
Direct and Overlapping Governmental Activities Debt	13	128
Legal Debt Margin Information	14	129
Pledged-Revenue Coverage	15	130
Demographic and Economic Statistics	16	131
Principal Employers	17	132
Full-time Equivalent City Government Employees by Function	18	133
Operating Indicators by Function	19	134
Capital Asset Statistics by Function	20	135

INTRODUCTORY SECTION



March 14, 2008

The Honorable Mayor, Members of the City Council, and Citizens
City of Tyler
Tyler, Texas

The City of Tyler, Texas' (City) *Charter* requires an audit of the City's financial activities to be conducted at the end of each fiscal year by an independent certified public accountant. Upon completion of the audit the results shall be reported in writing to Council as soon as reasonably possible. This report is published to fulfill that requirement for the fiscal year ended September 30, 2007.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control. In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. Internal controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements that are free of any material misstatements. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the City's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. To further ensure the validity of internal controls, the Internal Auditor continues to review key functions and controls annually.

Prothro, Wilhelmi & Company PLLC, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Tyler's financial statements for the year ended September 30, 2007. In addition to meeting City Charter requirements, the audit also was designed to meet the requirements of the Federal Single Audit Act of 1996 and related OMB Circular A-133. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal, and therefore should be read in conjunction with it.

Profile of the Government

The City of Tyler, Texas, the county seat of Smith County, is an important East Texas commercial and industrial center located on U.S. Highway 69 just south of Interstate 20. The City is equal distance (approximately 90 miles) between the cities of Dallas, Texas and Shreveport, Louisiana. The City, encompassing approximately 52 square miles, had a 2000 census population of 83,650, which is a 9.2% increase from the 1990 census population of 76,440. Currently, the City's population is estimated to be 107,802. The City is commonly referred to as the Rose Capital of America.

The City is a home rule city operating under the Council-Manager form of government. The City Council is comprised of the Mayor and six Council members, who enact local laws, determine policies and adopt the annual budget. The City Manager is appointed by the City Council and is responsible for the daily management of the City including appointing the various department heads. Council members serve two-year terms, with three members elected every other year. The mayor also serves for a two-year term. The mayor is elected at large; the remaining Council members are elected by district.

The City provides to its citizens those services that have proven to be necessary and meaningful and to which the City can provide at the lowest cost. Major services provided under general government and enterprise functions are: police and fire protection, water and sewer services, sanitation services, parks and recreational facilities, library services, street improvements, municipal court, code enforcement, development and planning services and general administrative services. The City also offers an airport and a convention center. Internal services of the City, accounted for on a cost reimbursement basis, are the fleet services operations; technology services; property and facility management services; productivity pool; risk management services and the active and retiree employee health and dental coverage. The Basic Financial Statements of the City include all government activities, organizations and functions for which the City is financially accountable as defined by the Governmental Accounting Standards Board (GASB). Based on these criteria no other governmental organizations are included in this report.

The City *Charter* provides that the City Council shall adopt the annual budget prepared by City Management. This budget is reviewed by the City Council and is formally adopted by the passage of a budget ordinance no later than the close of the prior fiscal year. Budgetary control has been established at the individual fund level. The City Manager is authorized to transfer budgeted amounts between line items and departments within any fund; however, any revisions that alter the total revenues or expenditures of any fund must be approved by the City Council. Although the budget is adopted at a fund level, continued line item review and forecasting is done on a monthly and quarterly basis throughout the fiscal year to ensure compliance with the budget and completion of projects.

Local Economy

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates. The chief industries in and around Tyler include: health care and research; education; grocery distribution; air conditioning unit manufacturing; engineering services; cast iron pipes and fitting manufacturing; government services; retail and retail distribution; cable & internet services; banking services; meat packing and processing; oil and gas refining; ready mix concrete production; and growing and shipping rose bushes. This diversification is evident in the fact that no single taxpayer represents more than 2.6% of assessed valuation in the City.

Four institutions of higher education are located in Tyler. They are The University of Texas at Tyler, The University of Texas Health Science Center, Texas College, and Tyler Junior College. Primary and secondary education is provided by several public school districts as well as eight private / parochial schools in the Tyler area. Tyler is also the medical center of East Texas with three hospitals and five specialty hospitals with a total of 1046 beds. There are approximately 669 medical doctors and 94 dentists. Additionally, Tyler has many tourist attractions. The Tyler Rose Festival includes the crowning of the Rose Queen attracting a large number of visitors each year. The azalea trails and craft show in the spring attracts additional tourism. Tyler State Park is located just north of Tyler and provides nature trails and camping in a scenic setting. Lake Tyler and Lake Tyler East, located twelve miles southeast of the City, are popular recreational and fishing sites. The City actively works with the Tyler Economic Development Corporation and local industries to encourage expansions and relocations to our community. Land is available for development; the area has an abundant water supply and typically mild weather. The Tyler area cost of living index has consistently been 90-96% of the national average for the past five years. Economic incentives as well as historic preservation incentives are available to facilitate business expansions or relocations.

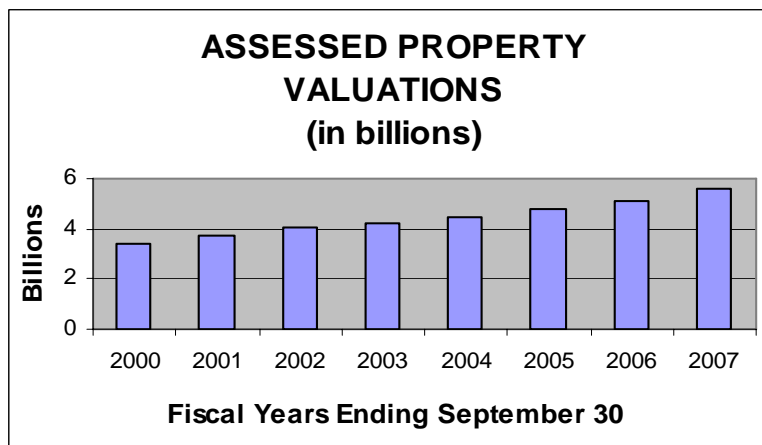
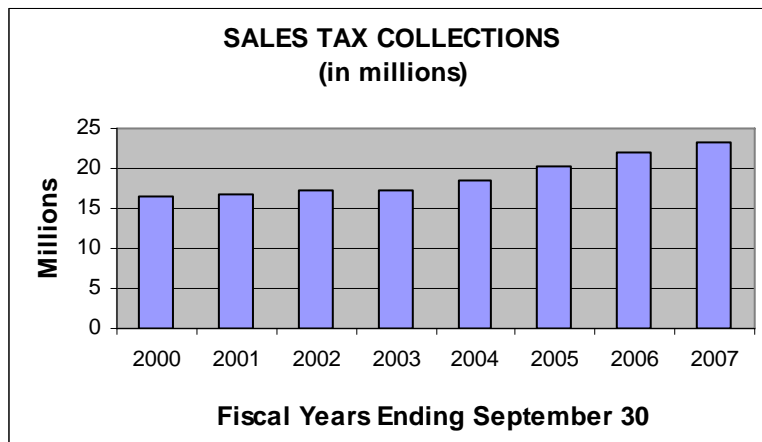
Because of its location in a region with a varied economic base, unemployment is relatively stable, and in the last five years remained consistently below the state average. During the past ten years, the unemployment rate has ranged from a low of 4.6 percent (2000) to a decade high of 7.5 percent (1996), only to end at the stable current rate of 4.1 percent. The total workforce for the Tyler region has increased from 43,411 in 1996 to 47,301 in 2007. Unemployment is expected to remain stable in the near term despite continued fluctuations in the manufacturing industries. The economic development council has helped to create and maintain 9,600 net jobs in the Tyler area since its creation in 1989. Population growth in the last five years was more than double that of the last decade and continues to grow based on strong residential permit requests. The population grew 10 percent from 1990 to the year 2000. From the year 2000 to the current year 2007, the growth has been an astounding 29 percent. State officials estimate that as many as 270,000 people come to Tyler each day to work, attend school, seek medical

services, or shop. The first two sections of the Loop 49 Toll Project are complete. Loop 49 Toll when completed will create a horseshoe loop around Tyler connecting the City's southern regions to Interstate 20. The loop will allow for increased traffic from Interstate 20 into the City of Tyler for shopping and economic development purposes. Along with the Loop 49 project, the Northeast Texas Regional Mobility Authority was authorized in 2004 to construct, operate and maintain turnpike projects in the state which includes the Tyler area. Including various other means of interstate access, the Tyler Pounds Regional Airport allows for secure and efficient air travel in and out of the region. Total flight boarding's in 2007 was 78,416. The East Texas Council of Governments has qualified Tyler as the first Certified Retirement City in Texas. Tyler meets high standards for retiree living such as low cost of living, low crime rate, quality health care, abundant recreation and cultural opportunities.

The office space occupancy rate for the City of Tyler was 88 percent in 2006, up from 84 percent in 1995. The office lease space is comprised of three classes for total square footage of 2,052,000. Tyler had \$2.37 billion in retail trade gross sales in 2006 up from \$1.65 billion in 1997.

The economic outlook for Tyler is encouraging with industrial, commercial, and residential development expected to continue. The potential for sustained development is present, and many governmental and business leaders are working to promote positive economic growth.

Economic Signs:



Long-term financial planning

Within the policy guidelines set by the Council for budgetary and planning purposes, the City of Tyler must keep a designated fund balance equal to 15 percent of total General Fund expenditures. This goal was met during the proceeding fiscal year with a remaining unreserved fund balance designated to be transferred to a General Capital Projects Fund to help pay for capital purchases on a cash basis. In addition to the Capital Projects Fund, the City takes advantage of half cent sales tax (4B) dollars to pay for capital projects related to street improvements, drainage projects, park improvements and other projects as approved by the board. By paying cash for capital purchases, the Council has the ultimate goal of reducing and eventually eliminating general obligation debt. The City of Tyler paid off the remaining general obligation debt in February 2008.

Council has maintained the lowest property tax rate for mid to large-sized cities in Texas in an effort to balance citizen desire for lower property tax rates and the City's need to match operating costs associated with future planning initiatives. Sales tax has played a large role in allowing the City to obtain this objective with a six year average increase of 5.7 percent. By maintaining an adequate reserve and monitoring future economic conditions, the City has an opportunity to provide for future citizen needs in a streamlined and cost effective manner.

Relevant financial policies

The City of Tyler has implemented several financial policies in the prior and current fiscal years. These include the creation of the General Capital Projects Fund, the Sanitation Capital Projects Fund and Retiree Benefits Fund. Any remaining fund balance in excess of the 15 percent designated reserve in the General Fund, Water and Sewer Fund and Sanitation Fund are to be transferred to the respective Capital Projects Funds to pay for needed capital purchases. The designated reserve has been increased for the 2006-2007 Fiscal year from 10 percent to 15 percent of current expenditures. The Retiree Benefits fund has been created to better separate and track costs related to retiree health, dental and life benefits in an effort to meet future OPEB obligations.

Major Initiatives

Tyler's rapid growth and potential for change make this the critical moment for a new comprehensive plan to guide and shape future development. The comprehensive plan, entitled Tyler 21, sets out a strategic framework for making decisions about the long-term physical development of Tyler. It defines a vision for the future linked to overall goals and policies, and it contains strategies and action items for achieving the goals. During the planning process, residents and others with a stake in Tyler's future have the opportunity to articulate and review community values and goals through public discussion, create a vision for the kind of place they want Tyler to be for their children and grandchildren, and identify the key areas where the city must act -- both to preserve enduring character and to shape change so that their vision for Tyler's future can be achieved.

Tyler 21 will provide policy and strategic guidance on the physical development and redevelopment of the City; guide the City to actively seek positive change and deflect negative change, rather than simply react to change; provide predictability for developers, businesses and residents; help the City save money because it plans for orderly investment in services, facilities and infrastructure; and help Tyler preserve the sense of place and identity that make it unique.

The Tyler 21 Comprehensive Plan is unique in many aspects including types of participation; visualization of the concepts; new approaches and alternatives; most effort spent on difficult topics; and creating zoning compatible with the plan. The Tyler 21 Plan will include alternative scenarios for future growth patterns; shared citywide vision and goals; citywide preservation and development strategies; special area plans with concrete actions; incentive-based strategies; and a user-friendly zoning and development code. Early action items have begun to be implemented and the Plan was presented to the citizens of Tyler in 2007.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2006. This is the twenty first consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

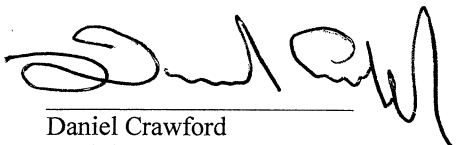
A Certificate of Achievement is valid for a period of one year only. City staff affirms that the current report continues to conform to Certificate of Achievement Program requirements, and the City is submitting it to GFOA to determine its eligibility for another certificate.

In addition, the City has received the Government Treasurer's Organization of Texas (GTOT) Investment Policy Certificate of Distinction for the annually adopted investment policy of the City for two consecutive periods. The award is valid for a two year period. In order to qualify for the award, the City must demonstrate compliance with the State investment act and fiscal responsibility of their investments.

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of all City Departments. Appreciation is expressed to all members of the City's staff who assisted and contributed to its preparation. Sincere thanks are extended to the mayor and city council members for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Bob Turner
City Manager

Daniel Crawford
Chief Financial Officer



A Natural Beauty

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Tyler
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Chas S. Cox

President

Jeffrey R. Emer

Executive Director

CITIZENS OF TYLER

City Boards & Commissions

CITY COUNCIL

Citizens Task Force Committees

CITY MANAGER

**COMPETITIVE/CONTRACTUAL SERVICE DELIVERY
ORGANIZATIONAL CULTURE**

BLUEPRINT

Bob Turner

Legal
Internal Auditor
Business Services Manager
Airport
Transit

Dan Brotton

Solid Waste
GIS
VES
Code Enforcement

Gary Swindle

Police
911 Dispatch

Barbara Holly

Planning & Zoning
CDBG/Housing

◆ *Highest premium placed on responsiveness to citizens' needs*
◆ *All city services competitively or contractually delivered*
◆ *Department Heads value being in accountable leadership; zero tolerance for static, status quo performance; sense of urgency & strategic fast track thinking to keep organization as streamlined, adapt-able to change, and competitive as possible*
◆ *Organizational mindset for pro-action, innovation, service excellence and results*
◆ *All employees trained and quantifiably productive*
◆ *Postured with 21st century technology*
◆ *Excellence in minimizing liabilities and costs, improving service quality & delivery, identifying and implementing efficiency alternatives, measuring service costs, and managing contracts for services*
◆ *Constantly audited for performance productivity and operational effectiveness*
◆ *City Manager as business manager for city's new blueprint for competitive services, productive staff, & technologically correct processes*
❖ *Pursue the Tyler 21 Vision to become nationally known for a commitment to community, a robust business environment, and the beauty of public places.*

Mark McDaniel

Administrative Services
Media Relations
Library
Technology
Municipal Court
Parks
Water Business Office/Training
Capital Projects

Neal Franklin

Fire
EOC
911 General Operations
EMS – Contract Administration

Greg Morgan

Water
Engineering
Streets
Purchasing

Michael Wilson

Development Services
Traffic Engineering

**CITY OF TYLER, TEXAS
LIST OF PRINCIPAL OFFICIALS
SEPTEMBER 30, 2007**

MAYOR – JOEY SEEBER

Members of City Council:

Steve Smith
Donald Sanders
Ralph Caraway
Chris Simons
Nathaniel Moran
Charles Alworth

City Manager – Bob Turner

Deputy City Manager – Mark McDaniel

Chief Financial Officer – Daniel Crawford

City Clerk – Cassandra Brager

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To The Honorable City Council and Audit Committee
City of Tyler, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tyler, Texas as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Tyler, Texas' management. Our responsibility is to express an opinion on these financial statements based upon our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tyler, Texas as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued a report dated March 11, 2008, on our consideration of the City of Tyler's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining non-major fund financial statements, the individual budgetary non-major fund schedules, and the accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

PROTHRO, WILHELM AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Management's discussion and analysis and schedule of funding progress on pages 3 through 11 and 53 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Prothro, Wilhelmi & Company, PLLC

Certified Public Accountants

Tyler, Texas
March 11, 2008

CITY OF TYLER, TEXAS

Management's Discussion and Analysis
For Year Ended September 30, 2007
(Unaudited)

As management of the City of Tyler, we offer readers of the City's financial statement this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Tyler exceeded its liabilities at the close of the most recent fiscal year by \$437,416,020 (Net assets). Of this amount, \$45,603,980 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net assets increased by \$7,216,636.
- As of the close of the current fiscal year, the City of Tyler's governmental funds reported combined ending fund balances of \$51,117,009. (\$16,063,103 is unreserved and available for use within the City's fund designation and fiscal policies.)
- At the end of the current fiscal year, undesignated fund balance for the general fund was \$2,476,067 or 5% of the total general fund expenditures. The general fund operating designation was \$7,305,209, 15% of total general fund expenditures.
- The City's revenue bond payable decreased \$2,440,000. The City's general obligation bond payable decreased \$1,030,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, public services and culture and recreation. The business-type activities of the City include water and sewer, airport and sanitation operations. The government-wide financial statements can be found on pages 13-14 of this report.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories-governmental funds, proprietary funds and fiduciary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 20 governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General and the Capital Projects ½ Cent Sales Tax Fund, both of which are considered to be major funds. Data from the other 18 funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental funds financial statements can be found on pages 15-18.

Proprietary Funds - The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, airport and sanitation operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses its internal service funds to account for its fleet services; risk management; technology; property and facility management; productivity pay; active employee benefit program and retiree benefit program. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Utilities, Airport and Sanitation Funds since they are considered to be major funds of the City. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 21-23 of this report.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Tyler's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements can be found on pages 24-25 of this report. The Fireman's Relief and Retirement Fund is no longer reported in the City's financial statements; a separate independent audit of the Fund's financial condition will be completed each fiscal year and details can be found in footnote 5:G on pages 49-51.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-52.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 53 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented following the required supplementary information on pensions. Combining and individual statements and schedules can be found on pages 57-98 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

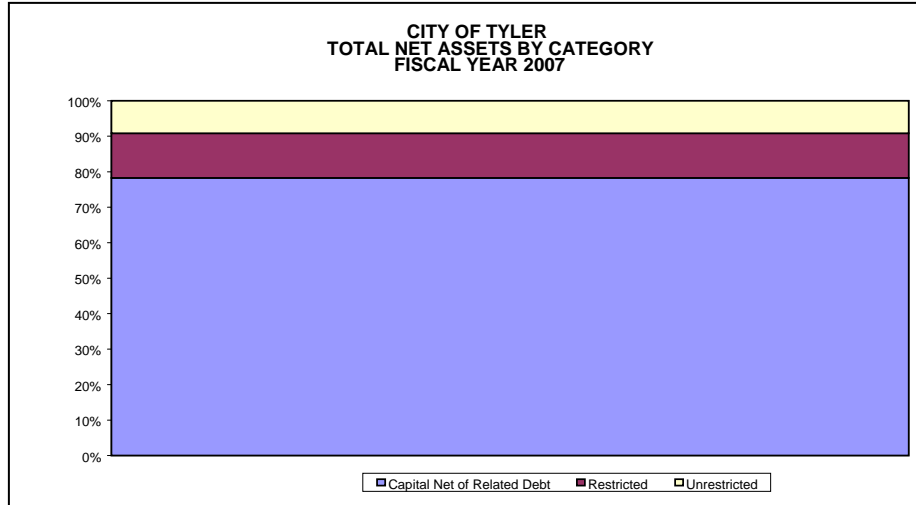
As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the City of Tyler, assets exceeded liabilities by \$437,416,020 as of September 30, 2007.

The largest portion of the City's net assets, 79%, or \$347,581,178, reflects its investments in capital assets (e.g., land, buildings, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF TYLER'S NET ASSETS						
	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 71,990,433	\$ 67,956,755	\$ 35,265,842	\$ 35,931,142	\$ 107,256,275	\$ 103,887,897
Capital Assets	213,901,077	211,904,257	190,833,609	188,719,950	404,734,686	400,624,207
Total Assets	285,891,510	279,861,012	226,099,451	224,651,092	511,990,961	504,512,104
Non Current liabilities	10,583,903	10,506,642	54,593,995	56,983,872	65,177,898	67,490,514
Other liabilities	6,178,208	5,970,679	3,218,835	1,637,643	9,397,043	7,608,322
Total Liabilities	16,762,111	16,477,321	57,812,830	58,621,515	74,574,941	75,098,836
Net Assets:						
Invested in capital assets,						
Net of related debt	210,591,077	207,182,671	136,990,101	132,481,137	347,581,178	339,663,808
Restricted	33,847,339	32,559,636	10,383,523	5,553,965	44,230,862	38,113,601
Unrestricted	24,690,983	23,641,384	20,912,997	27,994,475	45,603,980	51,635,859
Prior Period Adjustment	-	786,115	-	-	-	786,115
Total Net Assets	\$269,129,399	\$264,169,806	\$168,286,621	\$166,029,577	\$437,416,020	\$430,199,383

An additional portion of the City's net assets 10 %, or \$44,230,862, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets \$45,603,980 may be used to meet the government's ongoing obligations to citizens and creditors.

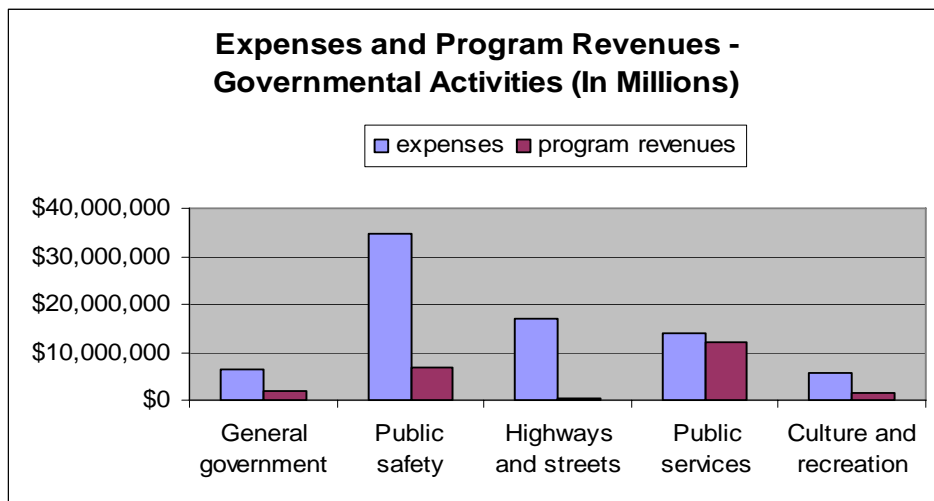
As of September 30, 2007 the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year. The following chart illustrates for the current fiscal year the percentage of total net assets each category encompasses.

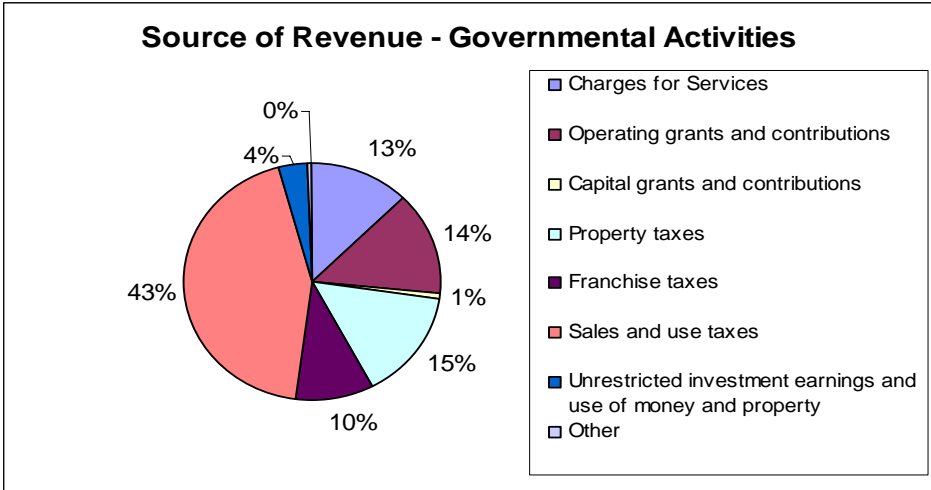


Analysis of the City's Operations - Overall the City had an increase in net assets of \$7,216,636.

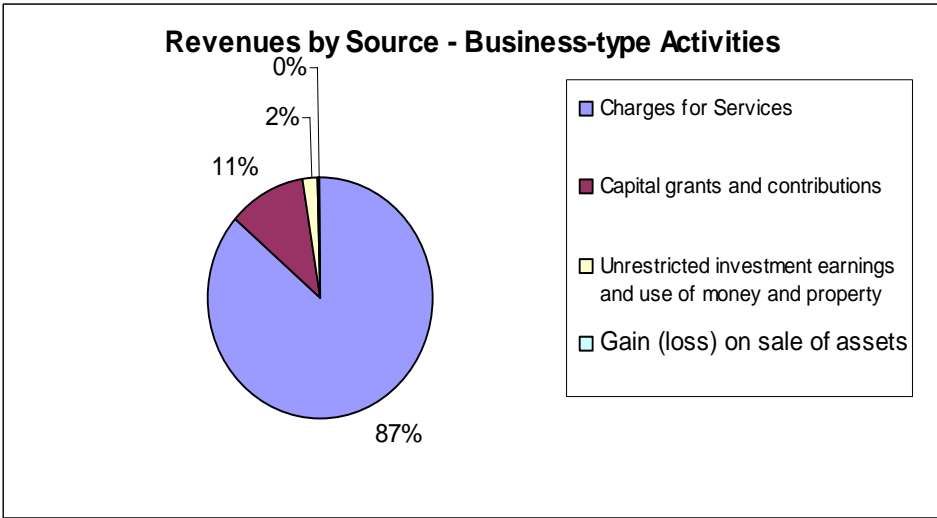
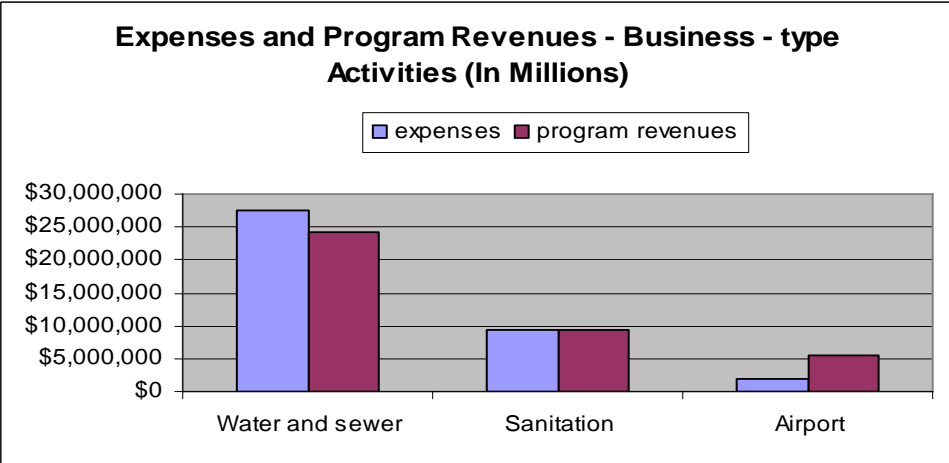
Governmental Activities: Governmental activities increased net assets by \$4,959,592. Net assets invested in capital assets, net of related debt increased by \$3,408,406 due to additions exceeding deletions and a reduction in general obligation debt. Restricted net assets increased by \$1,287,703 primarily due to increase in money restricted for grants and donations. Unrestricted net assets increased by \$1,049,599 due to increased sales and use tax collections and increased investment earnings.

Total revenues for the governmental activities increased from the previous year by \$3,272,531. General revenue had an increase of \$1,965,311, which was due to an increase in sales and use taxes and investment earnings. Program revenues had a decrease of \$1,307,220, which were primarily due an increase in grant contributions.





Business-type Activities: Net Assets from business-type activities increased by \$2,257,044. This increase was primarily due to program revenues exceeding expenses and increased interest earnings. The airport continues to receive several large FAA capital grants to pay for improvements to facilities.



The following table provides a summary of the City's operations for the year ended September 30, 2007 with comparative totals for the year ended September 30, 2006.

CITY OF TYLER'S CHANGES IN NET ASSETS						
	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program Revenues:						
Charges for services	\$ 10,865,323	\$ 10,750,977	\$ 34,792,653	\$ 37,754,696	\$ 45,657,976	\$ 48,505,673
Operating grants and contributions	11,667,106	10,100,985	-	-	11,667,106	10,100,985
Capital grants and contributions	664,756	1,038,003	4,395,723	1,171,731	5,060,479	2,209,734
General revenues:						
Property taxes	12,622,887	12,314,640	-	-	12,622,887	12,314,640
Franchise taxes	8,283,477	8,676,103	-	-	8,283,477	8,676,103
Sales and use taxes	36,972,343	35,094,518	-	-	36,972,343	35,094,518
Investment earnings and use of money and property	3,218,698	2,540,255	1,000,842	816,200	4,219,540	3,356,455
Gain (loss) on sale of assets	(389,284)	51,294	59,783	130,848	(329,501)	182,142
Equity in earnings of joint venture	-	66,000	-	-	-	66,000
Total revenues	83,905,306	80,632,775	40,249,001	39,873,475	124,154,307	120,506,250
Expenses:						
General government	6,426,203	5,573,690	-	-	6,426,203	5,573,690
Public safety	34,702,549	33,029,011	-	-	34,702,549	33,029,011
Streets	17,047,887	11,006,417	-	-	17,047,887	11,006,417
Public Services	13,951,231	16,343,022	-	-	13,951,231	16,343,022
Culture and Recreation	5,818,106	5,751,590	-	-	5,818,106	5,751,590
Interest on long-term debt	260,027	252,779	-	-	260,027	252,779
Water and Sewer	-	-	27,457,606	27,076,159	27,457,606	27,076,159
Sanitation	-	-	9,371,472	8,162,384	9,371,472	8,162,384
Airport	-	-	1,902,590	1,887,221	1,902,590	1,887,221
Total Expenses	78,206,003	71,956,509	38,731,668	37,125,764	116,937,671	109,082,273
Increases in net assets						
Before Transfers	5,699,303	8,676,266	1,517,333	2,747,711	7,216,636	11,423,977
Transfers	(739,711)	123,963	739,711	(123,963)	-	-
Change in net assets	4,959,592	8,800,229	2,257,044	2,623,748	7,216,636	11,423,977
Net assets – October 1	264,169,807	254,583,463	166,029,577	163,405,829	430,199,384	417,989,292
Prior Period Adjustment	-	786,115	-	-	-	786,115
Net assets – September 30	\$ 269,129,399	\$ 264,169,807	\$ 168,286,621	\$ 166,029,577	\$ 437,416,020	\$ 430,199,384

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds - The focus of the City of Tyler's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Tyler's governmental funds reported combined ending fund balances of \$51,117,009. Approximately 31% of this total amount, \$16,063,103, constitutes unreserved fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay for capital projects, \$25,994,333; 2) to pay for debt service, \$3,311,936; 3) to pay for the perpetual care of city cemeteries, \$2,270,281; and 4) to pay for other miscellaneous reservations, \$3,477,356. The City of Tyler also self imposes an operating designation in the general fund equivalent to approximately 15 percent of total expenditures, \$7,305,209.

In the general fund, the City's original budget planned for no change in the fund balance on a budget basis. Additional amendments were made to take advantage of additional fund balance for use in productivity pay and capital projects for a net budgeted decrease in fund balance of \$1,613,740. Due to actual revenues being more than budgeted and actual expenditures being higher than originally budgeted, the actual net increase in fund balance for fiscal year 2007 was \$753,551. Capital Projects ½ Cent Sales Tax Fund balance increased in 2007 by \$69,216, from \$23,194,704 to \$23,263,920 primarily due to the completion of several multi-year construction projects. Other governmental fund balances increased in 2007 by \$956,932, primarily due to an increase in hotel tax dollars and increases in grant contributions.

Proprietary funds – The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the respective proprietary funds are Utilities - \$17,101,236, Sanitation - \$2,288,425 and Airport - \$617,690. The following funds had net asset increases in 2007 as follows: Sanitation- \$983,189 and Airport- \$3,814,614. The Utilities fund had a decrease in net assets of \$2,894,321 primarily due to a extremely wet year causing decreased water sales.

General Fund Budgetary Highlights – The City made revisions to the original appropriations approved by the City Council. Overall these changes resulted in an increase of budgeted expenditures from the original budget of \$1,810,384. The majority of increase was due to an additional transfer to the General Capital Projects Fund.

Actual revenues in all categories exceeded the final budgeted amounts by a total of \$2,002,172. Actual Expenditures in all categories was less than final budgeted amounts by a total of \$424,270.

CAPITAL ASSETS

The City of Tyler's investment in capital assets for its governmental and business-type activities as of September 30, 2007 amounts to \$404,734,686, (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, improvements, infrastructure and construction in progress. The total increase in capital assets for the current fiscal year was \$4,110,481 or 1 %.

Major capital asset events during the current fiscal year included the following:

- \$1,339,892 for seven commercial garbage trucks.
- \$535,016 for nineteen fully equipped police cruisers.
- \$550,673 for spray ground park at Faulkner Park.
- \$597,225 for ARFF truck for Airport grounds.
- \$532,890 for eighty-nine Coban units for police vehicles.
- \$522,249 for water tank and well improvements.

Capital Assets at Year-end Net of Accumulated Depreciation						
	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$10,283,689	\$5,992,638	\$5,917,529	\$5,917,529	\$16,201,218	\$11,910,167
Building	19,559,846	20,212,592	34,281,403	35,486,312	53,841,249	55,698,904
Improvements	54,459,936	60,372,931	137,169,832	140,543,134	191,629,768	200,916,065
Machinery & Equipment	13,618,345	13,088,863	5,599,230	3,356,403	19,217,575	16,445,266
Infrastructure	103,587,167	108,360,782	1,959,728	1,515,398	105,546,895	109,876,180
Construction in Progress	12,392,094	3,876,451	5,905,887	1,901,174	18,297,981	5,777,625
Total	\$213,901,077	\$211,904,257	\$190,833,609	\$188,719,950	\$404,734,686	\$400,624,207

Additional information on the City of Tyler's capital assets can be found in footnote 4:C on pages 38-39 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City of Tyler had a total bonded debt of \$57,285,000. Of this amount, \$3,310,000 comprises general obligation debt and \$53,975,000 represents bonds secured solely by water and sewer revenues.

Outstanding Debt at Year End Bonds and Notes Payable						
	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
General Obligations	\$3,310,000	\$4,340,000	\$ -	\$ -	\$3,310,000	\$4,340,000
Revenue Bonds Payable	-	-	53,975,000	56,415,000	53,975,000	56,415,000
Total	\$3,310,000	\$4,340,000	\$53,975,000	\$56,415,000	\$57,285,000	\$60,755,000

During the fiscal year, the City's total debt decreased by \$3,470,000 or 6 %. The decrease was primarily due to the following:

- Annual debt principal payments made August 15 and August 31 for the general obligation debt and water and sewer debt respectively.

The City's General Obligation and Revenue Bond ratings are listed below.

	<u>Moody's Investors Service</u>	<u>Standard & Poor's</u>
General Obligation Bonds	Aa3	AA
Revenue Bonds	Aa3	AA

Several of the City's Bonds are insured thus holding a Triple A credit rating from both Moody's and Standard & Poor's. State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City of Tyler is \$556,980,133, which is significantly in excess of the City of Tyler's outstanding general obligation debt.

Additional information on the City of Tyler's long term-debt can be found in footnote 4:F on pages 41-43 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for the City of Tyler is currently 4.1 percent, which is a slight decrease from a rate of 4.8 percent a year ago. This compares favorably to the state's average unemployment rate of 4.3 percent and the national average rate of 4.7 percent.
- The office space occupancy rate for the City of Tyler has increased steadily from 84 percent over the past 10 years to the current 88 percent occupancy rates.
- Sales tax receipts have increased at a six year average rate of 5.7 percent, as well as property values increasing at a six year average rate of 6.97 percent.

All of these factors were considered in preparing the City of Tyler's budget for the fiscal year 2007-08. During the current fiscal year, unreserved, undesignated fund balance in the General Fund decreased to \$2,476,067. For fiscal year 2007-08, the City has budgeted to match revenues and expenditures in the General Fund. The City of Tyler has also implemented several financial policies during the current fiscal year in an attempt to better analyze and track costs. One such policy includes the use of Capital Projects Fund in the Sanitation Fund. Any remaining fund balance in excess of the 15 percent reserve in the Sanitation Fund for fiscal year 2006-07 and 15 percent reserve for fiscal year 2007-08 is to be transferred to the Sanitation Capital Projects Fund to pay for capital purchases and on going projects. Another policy implemented during the adoption of the 2007-08 budget is creation of the Retiree Benefit Fund. The creation of the fund is effective 9/30/2007, and separates revenue and expenses related to retiree health, life and dental benefits. The creation of this fund is in anticipation of GASB 45 OPEB requirements. The fiscal year 2007-08 budget was accomplished with adoption of a tax rate below the effective rate because of better than expected sales tax receipts and increased property values. The 2007-08 budget continues to incorporate the vision provided by Tyler 21 participants in creating a master plan and desires for future growth.

During 2007-08 Water Utilities plans to complete a water rate study to determine future needs for rate increase in both water and sewer categories. The City continues to collect a storm water drainage fee as a percentage of the water billing to meet certain State regulations regarding Storm Water Management. Further monies are being set aside to pay for capital improvements to the water system.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Department of Administrative Services, Attn: Chief Financial Officer at P.O. Box 2039, Tyler, Texas 75710, call (903) 531-1140, or email dcrawford@tylertexas.com.



A Natural Beauty

BASIC FINANCIAL STATEMENTS

CITY OF TYLER, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 28,040,896	\$ 9,141,890	\$ 37,182,786
Receivables (net of allowance for doubtful accounts)	10,515,282	5,145,375	15,660,657
Internal balances	(905,646)	905,646	-
Inventories	343,072	259,109	602,181
Prepaid items and deferred charges	295,651	453,967	749,618
Restricted Assets:			
Temporarily restricted			
Cash and cash equivalents	30,991,890	6,835,655	37,827,545
Permanently restricted			
Cash and cash equivalents	2,159,288	-	2,159,288
Water rights - Lake Palestine	-	12,524,200	12,524,200
Investment in joint venture	550,000	-	550,000
Capital Assets (net of accumulated depreciation):			
Land	10,283,689	5,917,529	16,201,218
Buildings	19,559,846	34,281,403	53,841,249
Improvements other than buildings	54,459,936	137,169,832	191,629,768
Machinery and equipment	13,618,345	5,599,230	19,217,575
Construction in progress	12,392,094	5,905,887	18,297,981
Infrastructure	103,587,167	1,959,728	105,546,895
Total Assets	285,891,510	226,099,451	511,990,961
LIABILITIES			
Accounts payable	4,509,644	2,992,906	7,502,550
Deposits and other refundable balances	547,965	16,476	564,441
Insurance claims payable	969,196	-	969,196
Accrued interest payable	20,233	209,453	229,686
Unearned revenues	131,170	-	131,170
Non-current liabilities:			
Due within one year	1,922,929	2,785,969	4,708,898
Due in more than one year	8,660,974	51,808,026	60,469,000
Total Liabilities	16,762,111	57,812,830	74,574,941
NET ASSETS			
Investment in capital assets, net of related debt	210,591,077	136,990,101	347,581,178
Restricted for:			
Debt service	3,311,936	605,764	3,917,700
Perpetual care - nonexpendable	2,167,964	-	2,167,964
Storm water management	-	626,131	626,131
Capital projects	25,994,333	9,151,628	35,145,961
Grants and donations	1,867,206	-	1,867,206
Court ordered disbursements	505,900	-	505,900
Unrestricted	24,690,983	20,912,997	45,603,980
Total Net Assets	\$ 269,129,399	\$ 168,286,621	\$ 437,416,020

The notes to the financial statements are an integral part of this statement.

**CITY OF TYLER, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

FUNCTIONS / PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental activities:							
General government	\$ 6,426,203	\$ 1,367,849	\$ 375,516	\$ 114,436	\$ (4,568,402)	\$ -	\$ (4,568,402)
Public safety	34,702,549	5,869,061	1,087,325	-	(27,746,163)	-	(27,746,163)
Highways and streets	17,047,887	108,658	241,561	105,267	(16,592,401)	-	(16,592,401)
Public services	13,951,231	1,849,755	9,957,222	444,282	(1,699,972)	-	(1,699,972)
Culture and recreation	5,818,106	1,670,000	5,482	771	(4,141,853)	-	(4,141,853)
Interest on long term debt	260,027	-	-	-	(260,027)	-	(260,027)
Total governmental activities	78,206,003	10,865,323	11,667,106	664,756	(55,008,818)	-	(55,008,818)
Business-type activities:							
Utilities	27,457,606	24,220,110	-	-	-	(3,237,496)	(3,237,496)
Sanitation	9,371,472	9,478,869	-	-	-	107,397	107,397
Airport	1,902,590	1,093,674	-	4,395,723	-	3,586,807	3,586,807
Total business-type activities	38,731,668	34,792,653	-	4,395,723	-	456,708	456,708
Total primary government	\$ 116,937,671	\$ 45,657,976	\$ 11,667,106	\$ 5,060,479	(55,008,818)	456,708	(54,552,110)
General revenues:							
Property taxes					12,622,887	-	12,622,887
Franchise taxes					8,283,477	-	8,283,477
Sales and use taxes					36,972,343	-	36,972,343
Unrestricted investment earnings and use of money and property					3,218,698	1,000,842	4,219,540
Gain (loss) on sale of assets					(389,284)	59,783	(329,501)
Equity in earnings of joint venture					-	-	-
Transfers					(739,711)	739,711	-
Total general revenues and transfers					59,968,410	1,800,336	61,768,746
Change in net assets					4,959,592	2,257,044	7,216,636
Net assets - beginning of year, as previously reported					263,383,692	166,029,577	429,413,269
Prior period adjustment					786,115	-	786,115
Net assets - beginning of year, as restated					264,169,807	166,029,577	430,199,384
Net assets - end of year					\$ 269,129,399	\$ 168,286,621	\$ 437,416,020

The notes to the financial statements are an integral part of this statement.

CITY OF TYLER, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007

	MAJOR FUNDS		OTHER	TOTAL
	GENERAL	1/2 CENT SALES TAX	NON-MAJOR GOVERNMENTAL FUNDS	GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 6,024,583	\$ 21,713,097	\$ 18,262,135	\$ 45,999,815
Receivables (net of allowance for doubtful accounts) :				
Property taxes	598,455	-	-	598,455
Other	6,005,836	2,118,949	1,501,111	9,625,896
Due from other funds	900,298	-	-	900,298
Inventories	14,505	-	-	14,505
Prepaid items	240,129	-	1,940	242,069
Total assets	\$ 13,783,806	\$ 23,832,046	\$ 19,765,186	\$ 57,381,038
LIABILITIES and FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,204,837	\$ 568,126	\$ 1,356,033	\$ 4,128,996
Deposits and other refundable balances	193,220	-	354,745	547,965
Due to other funds	-	-	900,298	900,298
Unearned revenue	77,888	-	53,282	131,170
Deferred revenue	555,600	-	-	555,600
Total liabilities	3,031,545	568,126	2,664,358	6,264,029
Fund Balances:				
Reserved for:				
Perpetual care	-	-	2,270,281	2,270,281
Court ordered disbursements	216,351	-	289,549	505,900
Debt service	-	-	3,311,936	3,311,936
Grants / donations	-	-	1,867,206	1,867,206
Capital projects	-	23,263,920	2,730,413	25,994,333
Court technology	-	-	349,616	349,616
Utility rate	500,000	-	-	500,000
Prepaid items	240,129	-	-	240,129
Inventory	14,505	-	-	14,505
Total reserved fund balances	970,985	23,263,920	10,819,001	35,053,906
Unreserved fund balances				
Designated for:				
Operations	7,305,209	-	-	7,305,209
Undesignated reported in:				
General Fund	2,476,067	-	-	2,476,067
Special Revenue Fund	-	-	5,829,609	5,829,609
Permanent Fund	-	-	452,218	452,218
Total unreserved fund balances	9,781,276	-	6,281,827	16,063,103
Total fund balances	10,752,261	23,263,920	17,100,828	51,117,009
Total liabilities and fund balances	\$ 13,783,806	\$ 23,832,046	\$ 19,765,186	\$ 57,381,038

(continued)

The notes to the financial statements are an integral part of this statement.

CITY OF TYLER, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS (Exhibit 1)

	TOTAL GOVERNMENTAL FUNDS
Total fund balances governmental funds (Exhibit 3 page 1)	\$ 51,117,009
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	204,446,222
Equity in an affiliated joint venture is included in governmental activities in the statement of net assets.	550,000
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	504,488
Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in governmental funds balance sheet.	(20,233)
Internal service funds are used by management to charge the costs of various goods or services provided to other departments or agencies of the City. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. (Net of the amount allocated to business-type activities)	21,722,969
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.	<u>(9,191,056)</u>
Net assets of governmental activities	<u>\$ 269,129,399</u>

CITY OF TYLER, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	MAJOR FUNDS		OTHER NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	1/2 CENT SALES TAX		
REVENUES				
Taxes:				
Property	\$ 11,215,459	\$ -	\$ 1,424,168	\$ 12,639,627
Franchise	8,283,477	-	-	8,283,477
Sales and use	23,469,867	11,577,424	1,925,052	36,972,343
Licenses and permits	165,781	-	1,111,346	1,277,127
Fines, forfeitures, and penalties	5,598,142	-	270,919	5,869,061
Revenues from use of money or property	404,075	1,088,766	1,224,136	2,716,977
Charges for current services	1,171,230	-	1,417,458	2,588,688
Revenues from other agencies	329,915	11,572	10,742,248	11,083,735
Donations	-	-	731,232	731,232
Miscellaneous	136,663	8,537	1,113,617	1,258,817
Total revenues	50,774,609	12,686,299	19,960,176	83,421,084
EXPENDITURES				
Current:				
General government	6,569,764	31,200	310,939	6,911,903
Public safety	31,571,970	-	242,615	31,814,585
Public services	1,744,820	-	13,476,462	15,221,282
Highways and streets	4,733,492	40,591	-	4,774,083
Culture and recreation	2,975,036	4,000	1,833,623	4,812,659
Capital outlay	283,711	12,615,502	3,384,026	16,283,239
Debt service:				
Principal retirement	-	-	1,030,000	1,030,000
Interest and fiscal charges	-	-	211,733	211,733
Total expenditures	47,878,793	12,691,293	20,489,398	81,059,484
Excess (deficiency) of revenues over (under) expenditures	2,895,816	(4,994)	(529,222)	2,361,600
OTHER FINANCING SOURCES (USES)				
Transfers in	-	332,274	2,238,921	2,571,195
Transfers out	(2,150,240)	(258,064)	(752,767)	(3,161,071)
Sale of capital assets	7,975	-	-	7,975
Total other financing sources (uses)	(2,142,265)	74,210	1,486,154	(581,901)
Net change in fund balances	753,551	69,216	956,932	1,779,699
Fund balances - beginning of year, as previously reported	9,998,710	23,194,704	15,357,781	48,551,195
Prior period adjustment	-	-	786,115	786,115
Fund balances - beginning of year, as restated	9,998,710	23,194,704	16,143,896	49,337,310
Fund balances - end of year	\$ 10,752,261	\$ 23,263,920	\$ 17,100,828	\$ 51,117,009

The notes to the financial statements are an integral part of this statement.

CITY OF TYLER, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds	\$ 1,779,699
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	1,528,649
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(35,266)
Tax revenue is reported in the government-wide statement of activities and changes in net assets but a portion of the revenue does not provide current financial resources. The current adjustment reflects a net increase in the deferral of the revenue.	(16,740)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.	1,030,000
Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds. This amount reflects the change in the accrued liability for compensated absences and accrued legal expenses.	(175,713)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds.	6,183
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the internal service funds is reported with governmental activities, net of amount allocated to business-type activities of \$353,562.	842,780
Change in net assets of governmental activities	<u>\$ 4,959,592</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF TYLER, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Property tax collections	\$ 11,187,800	\$ 11,187,800	\$ 11,215,459	\$ 27,659
Franchise fees	7,998,638	7,998,638	8,283,477	284,839
Sales and use taxes	22,863,620	22,863,620	23,469,867	606,247
Licenses and permits	163,500	163,500	165,781	2,281
Fines, forfeitures, and penalties	4,583,006	4,779,650	5,598,142	818,492
Revenues from use of money or property	302,800	302,800	404,075	101,275
Charges for current services	1,092,570	1,092,570	1,169,842	77,272
Revenues from other agencies	228,500	228,500	329,915	101,415
Miscellaneous	155,358	155,358	138,051	(17,307)
Total revenues	48,575,792	48,772,436	50,774,609	2,002,173
EXPENDITURES				
GENERAL GOVERNMENT:				
General government services	5,019,265	4,954,165	4,872,235	81,930
Administrative services	985,648	1,150,748	1,135,693	15,055
Legal	504,764	568,764	568,035	729
Total General Government	6,509,677	6,673,677	6,575,963	97,714
PUBLIC SAFETY:				
Police	18,998,260	18,998,260	18,963,581	34,679
Fire	10,786,861	10,786,861	10,851,696	(64,835)
Partners with youth program	90,818	90,818	102,014	(11,196)
Municipal court	1,471,370	1,668,114	1,754,895	(86,781)
Total Public Safety	31,347,309	31,544,053	31,672,186	(128,133)
PUBLIC SERVICES:				
Environmental services	529,486	529,486	450,261	79,225
Library	1,444,007	1,444,007	1,420,299	23,708
Total Public Services	1,973,493	1,973,493	1,870,560	102,933
HIGHWAYS AND STREETS:				
Engineering	2,606,068	2,606,068	2,296,202	309,866
Traffic operations	2,397,907	2,397,907	2,344,292	53,615
Capital projects	120,920	120,920	120,563	357
Total Highways and Streets	5,124,895	5,124,895	4,761,057	363,838
CULTURE AND RECREATION:				
Parks administration	2,155,938	2,156,028	2,169,642	(13,614)
Indoor recreation	390,543	390,543	389,182	1,361
Outdoor recreation	438,573	440,373	439,376	997
Median maintenance and arborist	-	-	827	(827)
Total Culture and Recreation	2,985,054	2,986,944	2,999,027	(12,083)
Total expenditures	47,940,428	48,303,062	47,878,793	424,269

The notes to the financial statements are an integral part of this statement.

(Continued)

CITY OF TYLER, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Excess (deficiency) of revenues over (under) expenditures	635,364	469,374	2,895,816	2,426,442
OTHER FINANCING SOURCES (USES)				
Transfers out	(638,864)	(2,086,614)	(2,150,240)	(63,626)
Sale of property and equipment	3,500	3,500	7,975	4,475
Total other financing sources (uses)	(635,364)	(2,083,114)	(2,142,265)	(59,151)
Net change in fund balance	-	(1,613,740)	753,551	2,367,291
Fund Balance - October 1, 2006	9,998,710	9,998,710	9,998,710	-
Fund Balance - September 30, 2007	<u>\$ 9,998,710</u>	<u>\$ 8,384,970</u>	<u>\$ 10,752,261</u>	<u>\$ 2,367,291</u>

The notes to the financial statements are an integral part of this statement.

CITY OF TYLER, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2007

	BUSINESS-TYPE ACTIVITIES			GOVERNMENTAL	
	ENTERPRISE FUNDS			TOTAL	INTERNAL
ASSETS	UTILITIES	SANITATION	AIRPORT	ENTERPRISE	SERVICE
				FUNDS	FUNDS
Current Assets					
Unrestricted current assets:					
Cash and cash equivalents	\$ 2,784,529	\$ 5,681,026	\$ 676,335	\$ 9,141,890	\$ 15,192,259
Prepaid expenses	-	-	-	-	53,582
Accounts receivable (net)	3,432,135	1,252,148	461,092	5,145,375	342,043
Inventories - at average cost	259,109	-	-	259,109	328,567
Total unrestricted current assets	<u>6,475,773</u>	<u>6,933,174</u>	<u>1,137,427</u>	<u>14,546,374</u>	<u>15,916,451</u>
Restricted Current assets:					
Temporarily restricted					
Cash and cash equivalents for payment of current maturities of revenue bond principal and interest	814,082	-	-	814,082	-
Total restricted current assets	<u>814,082</u>	<u>-</u>	<u>-</u>	<u>814,082</u>	<u>-</u>
Total current assets	<u>7,289,855</u>	<u>6,933,174</u>	<u>1,137,427</u>	<u>15,360,456</u>	<u>15,916,451</u>
Noncurrent assets:					
Restricted assets:					
Temporarily restricted					
Cash and cash equivalents	6,021,573	-	-	6,021,573	-
Total restricted assets	<u>6,021,573</u>	<u>-</u>	<u>-</u>	<u>6,021,573</u>	<u>-</u>
Deferred charges (net)	453,967	-	-	453,967	-
Water rights - Lake Palestine	12,524,200	-	-	12,524,200	-
Capital assets:					
Land	1,897,452	3,285,312	734,765	5,917,529	65,000
Buildings	31,842,642	307,704	22,199,589	54,349,935	1,185,580
Improvements other than buildings	183,570,460	555,643	11,529,169	195,655,272	352,857
Machinery and equipment	2,154,778	4,754,431	858,239	7,767,448	21,649,885
Construction in progress	87,693	621,984	5,196,210	5,905,887	-
Less accumulated depreciation	<u>(68,704,293)</u>	<u>(1,513,891)</u>	<u>(8,544,278)</u>	<u>(78,762,462)</u>	<u>(13,798,467)</u>
Total capital assets net of accumulated depreciation	<u>150,848,732</u>	<u>8,011,183</u>	<u>31,973,694</u>	<u>190,833,609</u>	<u>9,454,855</u>
Total noncurrent assets	<u>169,848,472</u>	<u>8,011,183</u>	<u>31,973,694</u>	<u>209,833,349</u>	<u>9,454,855</u>
Total assets	<u>177,138,327</u>	<u>14,944,357</u>	<u>33,111,121</u>	<u>225,193,805</u>	<u>25,371,306</u>
LIABILITIES					
Current liabilities					
Unrestricted current liabilities:					
Accounts and contracts payable	1,502,901	1,010,151	479,854	2,992,906	380,648
Insurance claims payable	-	-	-	-	969,196
Landfill closure postclosure costs payable	-	235,205	-	235,205	-
Current portion of capital lease payable	-	-	-	-	474,476
Current portion of compensated absences payable	16,843	6,927	1,994	25,764	4,400
Total unrestricted current liabilities	<u>1,519,744</u>	<u>1,252,283</u>	<u>481,848</u>	<u>3,253,875</u>	<u>1,828,720</u>
Current liabilities payable from restricted assets:					
Revenue bonds payable	2,525,000	-	-	2,525,000	-
Customer deposits	16,476	-	-	16,476	-
Accrued interest	209,453	-	-	209,453	-
Total current liabilities payable from restricted assets	<u>2,750,929</u>	<u>-</u>	<u>-</u>	<u>2,750,929</u>	<u>-</u>
Total current liabilities	<u>4,270,673</u>	<u>1,252,283</u>	<u>481,848</u>	<u>6,004,804</u>	<u>1,828,720</u>
Noncurrent liabilities:					
Revenue bonds payable	51,318,508	-	-	51,318,508	-
Capital lease payable	-	-	-	-	830,360
Compensated absences	320,008	131,621	37,889	489,518	83,611
Total noncurrent liabilities	<u>51,638,516</u>	<u>131,621</u>	<u>37,889</u>	<u>51,808,026</u>	<u>913,971</u>
Total liabilities	<u>55,909,189</u>	<u>1,383,904</u>	<u>519,737</u>	<u>57,812,830</u>	<u>2,742,691</u>
NET ASSETS					
Invested in capital assets, net of related debt	97,005,224	8,011,183	31,973,694	136,990,101	9,454,855
Restricted net assets:					
Debt service	605,764	-	-	605,764	-
Storm water management	626,131	-	-	626,131	-
Capital projects	5,890,783	3,260,845	-	9,151,628	-
Unrestricted	17,101,236	2,288,425	617,690	20,007,351	13,173,760
Total net assets	<u>\$ 121,229,138</u>	<u>\$ 13,560,453</u>	<u>\$ 32,591,384</u>	<u>167,380,975</u>	<u>\$ 22,628,615</u>
Reconciliation to government-wide statements of net assets:					
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			prior years	552,084	
			current year	353,562	
Net assets of business-type activities				<u>\$ 168,286,621</u>	

CITY OF TYLER, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	BUSINESS-TYPE ACTIVITIES			TOTAL ENTERPRISE FUNDS	GOVERNMENTAL
	ENTERPRISE FUNDS				ACTIVITIES
	UTILITIES	SANITATION	AIRPORT		INTERNAL SERVICE FUNDS
OPERATING REVENUES					
Water and sewer operations	\$ 23,728,436	\$ -	\$ -	\$ 23,728,436	\$ -
Trash and garbage	-	9,213,983	-	9,213,983	-
Airport sales and rentals	-	-	1,070,492	1,070,492	-
Charges for services	-	-	-	-	9,032,977
Contributions	-	-	-	-	8,351,578
Miscellaneous	339,800	56,083	30,297	426,180	171,676
Total operating revenues	24,068,236	9,270,066	1,100,789	34,439,091	17,556,231
OPERATING EXPENSES					
Water and sewer operations	18,006,193	-	-	18,006,193	-
Sanitation operations	-	8,801,433	-	8,801,433	-
Municipal Airport operations	-	-	1,094,573	1,094,573	-
Garage operations	-	-	-	-	1,258,799
Depreciation	6,747,452	570,039	808,017	8,125,508	2,368,644
Insurance claims	-	-	-	-	7,746,401
Administrative	-	-	-	-	4,535,983
Special services	-	-	-	-	619,913
Maintenance	-	-	-	-	154,090
Total operating expenses	24,753,645	9,371,472	1,902,590	36,027,707	16,683,830
Operating income (loss)	(685,409)	(101,406)	(801,801)	(1,588,616)	872,401
NON-OPERATING REVENUES (EXPENSES)					
Revenues from use of money and property	629,326	338,797	32,719	1,000,842	890,246
Income from other agencies	-	-	4,395,723	4,395,723	-
Amortization	(89,412)	-	-	(89,412)	-
Gain (loss) on sale of assets	-	59,783	-	59,783	(361,993)
Interest expense	(2,614,549)	-	-	(2,614,549)	(54,477)
Total non-operating revenues (expenses)	(2,074,635)	398,580	4,428,442	2,752,387	473,776
Income (loss) before transfers	(2,760,044)	297,174	3,626,641	1,163,771	1,346,177
Transfers in	12,325,337	7,789,545	4,742,623	24,857,505	1,865,419
Transfers out	(12,459,614)	(7,103,530)	(4,554,650)	(24,117,794)	(2,015,254)
Net transfers	(134,277)	686,015	187,973	739,711	(149,835)
Change in net assets	(2,894,321)	983,189	3,814,614	1,903,482	1,196,342
Net Assets - October 1, 2006	124,123,459	12,577,264	28,776,770		21,432,273
Net Assets - September 30, 2007	<u>\$ 121,229,138</u>	<u>\$ 13,560,453</u>	<u>\$ 32,591,384</u>		<u>\$ 22,628,615</u>
Reconciliation to government-wide statements of net assets					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				353,562	
Change in net assets of business-type activities				<u>\$ 2,257,044</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF TYLER, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	BUSINESS-TYPE ACTIVITIES			TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES
	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	UTILITIES	SANITATION	AIRPORT		
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers and users	\$ 24,079,648	\$ 9,254,287	\$ 707,034	\$ 34,040,969	\$ 17,377,879
Cash paid to suppliers for goods and services	(13,357,156)	(5,675,871)	(249,544)	(19,282,571)	(4,480,580)
Cash paid to employees for services	(4,351,998)	(2,255,038)	(415,953)	(7,022,989)	(2,128,458)
Insurance claims paid	-	-	-	-	(7,754,611)
Net cash provided by (used in) operating activities	<u>6,370,494</u>	<u>1,323,378</u>	<u>41,537</u>	<u>7,735,409</u>	<u>3,014,230</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers in from other funds	12,325,337	7,789,545	4,742,623	24,857,505	1,865,419
Transfers out to other funds	(12,459,614)	(7,103,530)	(4,554,650)	(24,117,794)	(2,015,254)
Net cash (used in) provided by non-capital financing activities	<u>(134,277)</u>	<u>686,015</u>	<u>187,973</u>	<u>739,711</u>	<u>(149,835)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(2,543,287)	(3,115,472)	(4,580,408)	(10,239,167)	(2,897,811)
Proceeds from grants for capital purposes	-	-	4,395,723	4,395,723	-
Proceeds from sale of assets	-	59,783	-	59,783	586,988
Payments on bonded debt	(2,440,000)	-	-	(2,440,000)	-
Interest paid	(2,614,549)	-	-	(2,614,549)	(54,477)
Net cash provided by (used in) capital and related financing activities	<u>(7,597,836)</u>	<u>(3,055,689)</u>	<u>(184,685)</u>	<u>(10,838,210)</u>	<u>(2,365,300)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends on investments	629,326	338,797	32,719	1,000,842	890,246
Net cash provided by (used in) investing activities	<u>629,326</u>	<u>338,797</u>	<u>32,719</u>	<u>1,000,842</u>	<u>890,246</u>
Net increase (decrease) in cash and cash equivalents	(732,293)	(707,499)	77,544	(1,362,248)	1,389,341
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>10,352,477</u>	<u>6,388,525</u>	<u>598,791</u>	<u>17,339,793</u>	<u>13,802,918</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 9,620,184</u>	<u>\$ 5,681,026</u>	<u>\$ 676,335</u>	<u>\$ 15,977,545</u>	<u>\$ 15,192,259</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED IN) OPERATING ACTIVITIES:					
Operating income (loss)	\$ (685,409)	\$ (101,406)	\$ (801,801)	\$ (1,588,616)	\$ 872,401
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	6,747,452	570,039	808,017	8,125,508	2,368,644
(Increase) decrease in accounts receivable	7,865	(15,779)	(393,755)	(401,669)	(178,352)
(Increase) decrease in prepaid expenses	-	9,800	-	9,800	(53,582)
(Increase) decrease in inventories	3,766	-	-	3,766	(57,268)
Increase (decrease) in accounts payable	296,265	853,329	431,817	1,581,411	75,926
Increase (decrease) in customer deposits	(219)	-	-	(219)	-
Increase (decrease) in claims payable	-	-	-	-	(21,837)
Increase (decrease) in compensated absences payable	774	7,395	(2,741)	5,428	8,298
Total adjustments	<u>7,055,903</u>	<u>1,424,784</u>	<u>843,338</u>	<u>9,324,025</u>	<u>2,141,829</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 6,370,494</u>	<u>\$ 1,323,378</u>	<u>\$ 41,537</u>	<u>\$ 7,735,409</u>	<u>\$ 3,014,230</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:					
Borrowing under capital lease	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 923,250</u>

The notes to the financial statements are an integral part of this statement.

CITY OF TYLER, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2007

	EMPLOYEE BENEFIT TRUST (SECTION 125 PLAN)	GREENWOOD LANDFILL PRIVATE - PURPOSE TRUST
ASSETS		
Equity in pooled cash and investments	\$ 157,879	\$ 1,993,818
Receivables		
Accounts receivable	9,617	-
Interest receivable	-	7,941
Total receivables	<u>9,617</u>	<u>7,941</u>
Total assets	<u>167,496</u>	<u>2,001,759</u>
LIABILITIES		
Accounts payable	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
NET ASSETS		
Held in trust for pension benefits and other purposes	<u>\$ 167,496</u>	<u>\$ 2,001,759</u>

The notes to the financial statements are an integral part of this statement.

CITY OF TYLER, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	EMPLOYEE BENEFIT TRUST (SECTION 125 PLAN)	GREENWOOD LANDFILL PRIVATE -PURPOSE TRUST
ADDITIONS		
Contributions:		
Employees	\$ 169,100	\$ -
Employer	234,518	-
Other	-	36,065
Total contributions	<u>403,618</u>	<u>36,065</u>
Investment income:		
Interest	-	93,035
Net investment income	<u>-</u>	<u>93,035</u>
Total additions	<u>403,618</u>	<u>129,100</u>
DEDUCTIONS		
Benefits	375,973	-
Administrative expenses	-	-
Total deductions	<u>375,973</u>	<u>-</u>
Change in net assets	<u>27,645</u>	<u>129,100</u>
Net Assets - October 1, 2006	<u>139,851</u>	<u>1,872,659</u>
Net Assets - September 30, 2007	<u>\$ 167,496</u>	<u>\$ 2,001,759</u>

The notes to the financial statements are an integral part of this statement.

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City of Tyler, Texas (City) was incorporated January 29, 1850. The City Charter was adopted February 9, 1937. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, health and social services, culture-recreation, public transportation, public improvements, planning and zoning, and general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting practices generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the City are described below.

B. Blended Component Unit

The Tyler One-Half Cent Sales Tax Corporation, Inc. was formed in 1996, and is governed by a seven-member board of directors. Each member of the City Council and the Mayor may nominate one member. Directors are appointed for a two-year term and are removable by the City Council at any time without cause. For financial reporting purposes, the Tyler One-Half Cent Sales Tax Corporation, Inc. has been presented as a blended component unit of the City. It is reported as a Capital Projects Fund, because its purpose is to account for construction activities funded by the revenues generated by the one-half cent sales tax. The Tyler One-Half Cent Sales Tax Corporation, Inc. does not issue separate financial statements.

The City uses the proceeds of the one-half cent sales tax to pay for infrastructure, thereby removing the need for debt financing of such improvements which will result in the elimination of general obligation indebtedness and has enabled the City to reduce its property tax rate.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued:

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The 1/2 Cent Sales Tax Fund accounts for the acquisition and construction of major capital facilities other than those financed by Proprietary Funds and Trust Funds.

The government reports the following major proprietary funds:

The Utilities Fund is used to account for sale of water and wastewater treatment by the City to businesses and residential customers and to surrounding communities.

The Sanitation Fund accounts for residential and commercial solid waste collection, disposal services, and recycling operations of the City.

The Airport Fund is used to account for the operations of Tyler Pounds Regional Airport.

Additionally, the government reports the following fund types:

Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

The City of Tyler reports the following Internal Service Funds:

1. Productivity Improvement Fund – tracks the performance pay of City employees.
2. Fleet Maintenance and Replacement Fund – used to track maintenance and repair work on vehicles of all City departments.
3. Property and Liability Insurance Fund – accounts for the City's property, casualty, liability and workers' compensation insurance programs.

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued:

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – continued:

Internal Service Funds – continued:

4. Employee Benefits Fund – accounts for the City’s self-insurance program for health insurance.
5. Retiree Benefits Fund – accounts for the City’s preparation for the implementation of GASB Statement #45 “Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions.”
6. Property and Facility Management Fund – accounts for utility costs.
7. Technology Fund – accounts for the City’s investment in technology and office automation.

Fiduciary Funds:

The Employee Benefit Trust (Section 125 Plan) Fund is used to account for the resources accumulated and payments made on behalf of City employees enrolled in the cafeteria plan administered by Health First.

The Greenwood Landfill Private – Purpose Trust Fund is used to accumulate resources held in trust for Allied Waste Management and is used for closure and post-closure expenses of the Greenwood Landfill.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government’s water utilities function and various other functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the City’s enterprise funds and of the internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued:

E. Assets, Liabilities, and Net Assets or Equity

1. Equity in Pooled Cash and Investments

The City classifies certain of its cash, investments, due to, and due from accounts into "equity in pooled cash and investments." Each fund participates on a daily transaction basis and income for all assets included in "pooled cash and investments" is allocated to individual funds based on their respective balance in "equity in pooled cash and investments."

For the purpose of the statements of cash flows for the Proprietary and Internal Service Funds, the City considers all assets included in "equity in pooled cash and investments" to be "cash and cash equivalents."

A summary of assets included in "equity in pooled cash and investments" is included in Note 4: A. All assets in "equity in pooled cash and investments" and demand deposits on hand have been considered as cash equivalents for purposes of the statement of cash flows.

Additionally, deposits and investments continue to be held separately by several of the City's funds. Income on these assets is recorded in the respective fund holding the deposits and investments.

2. Investments

Accounting pronouncement Governmental Accounting Standards Board Statement 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*", is applied to investments in external investment pools, investments purchased with maturities greater than one year, mutual funds, and certain investment agreements. Generally, governmental entities are required to report the "fair value" changes for these investments at year-end and record these gains or losses on their income statement. Investments with maturities less than one year at the time of purchase are stated at cost or amortized cost. The fair value of the City's position in these investment pools is the same as the value of the pool shares.

Methods and Assumptions used to Estimate Fair Value

The City maintains investment accounting records and adjusts those records to "fair value" on an annual basis. This information is provided by the City's investment custodian. The investments held by the City are widely traded in the financial markets and trading values are readily available from numerous published sources. Material unrealized gains and losses are recorded on an annual basis and the carrying value of its investments is considered "fair value". For the year ended September 30, 2007, there were no material unrealized gains or losses.

Investment Pools

The City holds investments in two external investment pools, TexPool and TexStar. Texas Local Government Investment Pool (TexPool) was created by the Texas Treasury Safekeeping Trust Company, which was authorized by the Texas Legislature in 1986. Only local governments having contracted to participate in TexPool have an undivided beneficial interest in its pool of assets. TexPool is not registered with the Securities and Exchange Commission as an investment company. In May 2003, the City Council approved joining the Texas Short Term Asset Reserve Program (TexStar), an investment pool established to provide for the joint investments of public funds. TexStar was created under the authority of applicable Texas law, including the Cooperation Act and the Investment Act.

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued:

E. Assets, Liabilities, and Net Assets or Equity – continued:

2. Investments – continued

Both investment pools carry investments at amortized cost, which approximates fair value. Investments are priced daily and compared to carrying value. If the ratio of the fair value of the portfolio of investments to the carrying value of investments is less than .995 or greater than 1.005, the investment pools will sell investment securities, as required, to maintain the ratio at a point between .995 and 1.005.

Other

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements. The City is authorized by its governing board to invest in the obligations of the U.S. Treasury. Investments are stated at cost or amortized cost.

3. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (the current portion of interfund loans) or “advances to/from other funds” (the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

The City provides an allowance for doubtful accounts based upon the anticipated collectibility of each specific account, as determined by experience. All receivables are shown net of this allowance. A detailed schedule of receivables can be found at Note 4: B.

All delinquent property taxes receivable are assets of the General Fund. Transfers to the General Debt Services Fund are based on the entire current tax levy rather than amounts collected.

Property taxes are levied October 1 on the assessed value of property at January 1 and are due by January 31 of the following year. Unpaid taxes attach as an enforceable lien on property as of January 31. Revenue from taxes assessed is recorded as deferred revenue on October 1. The deferred revenue from taxes is then recognized as revenue during the year as the taxes are actually received.

The City Charter limits the City's ad valorem tax rate to \$1.75 per \$100 of assessed valuation. The tax rate for the year ended September 30, 2007, was \$.223657 per \$100, which means that the City has a tax margin of \$1.526343 per \$100 and could raise up to \$85,014,273 additional taxes a year from the present valuation of \$5,569,801,329 before the limit is reached.

4. Inventories and Prepaid Items

Inventories of materials and supplies are accounted for using the consumption method. Under the consumption method, inventories are recorded as expenditures when they are used with significant amounts on hand reported on the balance sheet at average cost. In Governmental Funds, reported inventories do not represent available spendable resources and are, therefore, equally offset by a fund balance reserve account.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid in both the government-wide and fund financial statements.

CITY OF TYLER, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued:

E. Assets, Liabilities, and Net Assets or Equity – continued:

5. Restricted Assets

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The Utilities Fund is used to report those proceeds of revenue bond issuances that are restricted for use in water and sewer projects. The Utilities Fund is also used to segregate resources accumulated for debt service payments over the life of the bonds. The City also classifies other cash and cash equivalents as restricted because of the restrictions placed on the bank account by bond covenants, grant agreements and trust agreements established to govern the spending of funds for the permanent care of the City's cemeteries.

6. Due from Other Funds

Current portions of long-term interfund loans receivable (reported in "Due from" asset accounts) are considered "available spendable resources."

7. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$3,000 (amount not rounded) and an estimated life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure assets are reported retroactively based on estimated historical cost.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	10 to 20
Improvements other than buildings	10 to 50
Public domain infrastructure	15 to 50
Vehicles	3 to 5
Heavy equipment	7 to 10
Office equipment	3
Computer equipment	3

8. Construction-in-Progress

Expenditures on incomplete capital projects have been capitalized as construction-in-progress. The assets resulting from these projects will be transferred from the construction-in-progress accounts to the appropriate asset account as the projects are completed.

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued:

E. Assets, Liabilities, and Net Assets or Equity – continued:

9. Compensated Absences

Non-Civil Service Employees

Full-time, permanent, non-civil service employees earn paid time off (PTO), which may be used as vacation, sick time or personal time. The PTO is accrued in hourly increments on the first day of each month. The total amounts accrued annually depend on the number of years of service with the City. Maximums are from 18 to 24 days. All existing non-civil service employees at January 1, 1999, with accumulated vacation and sick time, were allowed to carryover accrued vacation into the PTO program at a maximum of 240 hours. The employees with accrued sick time were allowed to carryover up to 720 hours, only to be paid after 10 years of service. The employees eligible to receive accrued sick leave balance upon termination would be paid at the pay rate applicable when the PTO program was implemented.

Any non-civil service employees hired after January 1, 1999 were enrolled into the PTO program and may only carryover 30 days of PTO per year. Any amount accrued above the 30 days carryover is lost as of December 31 of that year. Unused PTO up to 30 days will be paid to the employee upon termination at employee's current pay rate.

Civil Service Employees

Civil service employees are granted vacation and sick time benefits in varying amounts to specified maximums depending on tenure with the City. Civil service employees are 100% vested in both sick time and vacation time at the start of their employment.

Civil and Non-Civil Service Employees

Vested or accumulated vacation leave is recorded as an expense and a liability, as the benefits accrue to employees, in the government-wide, proprietary, and fiduciary fund financial statements. In accordance with the provisions of Governmental Accounting Standards Board Statement No.16, "Accounting For Compensated Absences," no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of cumulative sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement.

10. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

11. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued:

E. Assets, Liabilities, and Net Assets or Equity – continued:

12. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of the City's capital assets, net of accumulated depreciation, reduced by any outstanding debt used for the acquisition or construction of those assets. Net assets reported as restricted are those amounts which have limitations imposed on their use either through legislation adopted by the City or through external restrictions imposed by creditors, grantors or other laws and regulations.

13. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

14. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed in Governmental Funds. However, encumbrances in the Governmental Funds lapse at the end of the each year and are re-budgeted during the next fiscal year.

Encumbrance accounting is also employed in Proprietary Funds for management control purposes. Encumbrances outstanding at year-end are not reported as restrictions of net assets nor have they been included as expenses or liabilities of Proprietary Funds.

15. New Accounting Pronouncements

In August 2004, GASB issued Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* GASB #45 establishes requirements for employer governments to account for and report the annual cost of other postemployment benefits. This statement is effective for the City's fiscal year ending September 30, 2009.

In order to prepare for the implementation of GASB #45, the City has engaged an actuarial consultant to advise the City as to the actuarial valuation of its other post-retirement benefit (OPEB) liability. In addition, the City has created separate active and retiree funds in order to effectively track the costs of the two groups with a goal of developing a multi-year plan for premium adjustments to fund long term liabilities and to ensure the City keeps pace with current costs. The impact of the implementation of this pronouncement on the City's financial statements is unknown at this time.

In September 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.* This statement provides guidance for reporting transactions occurring from the pledging of receivables. The statement also discusses the valuation of assets transferred between reporting entity components. This statement is effective for the City's year ending September 30, 2008 and is not expected to have a significant affect on the City's financial statements.

In December 2006, GASB issued Statement No. 49 *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement identifies situations in which a government is required to report obligations relating to pollution remediation. In addition, the government must estimate the total cost of the remediation and disclose information about the obligations associated with clean up efforts. The statement is effective for the City's year ending September 30, 2009, and the potential affect of this new pronouncement on the financial statements cannot be determined at this time.

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$9,191,056 difference are as follows:

Bonds payable	\$3,310,000
Claims and judgment	100,000
Compensated absences	<u>5,781,056</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$9,191,056</u>

Another element of that reconciliation states that “Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.” The details of this \$504,488 difference are as follows:

Deferred property tax revenues	\$ 555,600
Allowance for uncollectible property taxes receivable	<u>(51,112)</u>
	<u>\$ 504,488</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$1,528,649 difference are as follows:

Capital outlay	\$16,283,236
Depreciation expense	<u>(14,754,587)</u>
Net adjustment to decrease net changes in fund balances- total governmental funds to arrive at changes in net assets of governmental activities	<u>\$1,528,649</u>

Another element of that reconciliation states that “Tax revenue is reported in the government-wide statement of activities and changes in net assets but a portion of the revenue does not provide current financial resources.” The details of this \$(16,740) difference are as follows:

Change in deferred property tax revenues	\$ (16,818)
Change in allowance for uncollectible property taxes receivable	<u>78</u>
	<u>\$ (16,740)</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.” The details of this \$(175,713) difference are as follows:

Change in compensated absences	\$ (270,713)
Change in accrued legal claims	<u>95,000</u>
	<u>\$ (175,713)</u>

CITY OF TYLER, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTIBILITY

A. Budgetary Information

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to August 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted in Council chambers at City Hall to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. The City Charter prohibits budgeting total proposed expenditures in excess of total anticipated revenues and any unencumbered funds from prior years; therefore, expenditures may not legally exceed revenues and unencumbered fund balances from prior years for each fund.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, certain Special Revenue Funds (Development Services Fund, Police Forfeiture Fund, Court Technology Fund, Hotel-Motel Occupancy Tax Fund, Tourism and Convention Fund, Passenger Facility Charge Fund, Oil and Natural Gas Fund), General Debt Services Fund, Capital Projects Fund, all Enterprise Funds, all Internal Service Funds, and Permanent Funds.

Budgets for the General Fund, certain Special Revenue Funds (Development Services Fund, Police Forfeiture Fund, Court Technology Fund, Hotel-Motel Occupancy Tax Fund, Tourism and Convention Fund, Passenger Facility Charge Fund, Oil and Natural Gas Fund), General Debt Services Fund, Capital Projects Fund, and Permanent Funds are adopted by the Council and presented in this report on a basis consistent with generally accepted accounting principles (GAAP). Budgeted expenditures for the General Fund's current fiscal year as adopted in the original budget and amendments thereto were \$50,389,676. Appropriations, which are not expended or encumbered at year-end, must be rebudgeted in the succeeding year.

6. Budgets for Proprietary Funds are adopted on a basis consistent with GAAP (accrual basis) except that for budgetary comparisons capital outlay items are expensed, accrual for compensated absences is excluded, and principal payments on debt are treated as expenses. The budgetary comparisons for Proprietary Funds are on this non-GAAP budgetary basis.

B. Expenditures Over Appropriations

Following is a summary of expenditures in excess of appropriations for individual Funds.

<u>Individual Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Expenditures In Excess of Appropriations</u>
Hotel-Motel Occupancy Tax Fund	\$ 1,480,058	\$ 1,478,771	\$ 1,287
Tourism and Convention Fund	1,408,738	1,352,678	56,060
Property & Facility Management Fund	366,615	349,844	16,771
General Fund:			
Fire Department	10,851,696	10,786,861	64,835
Partners with Youth Program	102,014	90,818	11,196
Municipal Court	1,754,895	1,668,114	86,781
Parks Administration	2,169,642	2,156,028	13,614
Median Maintenance & Arborist	827	-	827
Transfers out	2,150,240	2,086,614	63,626

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTIBILITY – continued:

C. Deficit Fund Equity

The Tourism and Convention Fund had a deficit fund balance of \$43,504 as of September 30, 2007. The City has determined that this deficit is primarily due to the unexpected increases in electricity costs. If necessary, the City will transfer funds from the Hotel/Motel Tax Fund to correct any continued deficits in fiscal year 2008. All expenses in the Tourism and Convention Fund are eligible for Hotel Occupancy Tax funding, so the fund balance in the Hotel/Motel Tax Fund essentially serves as a fund balance for the Tourism and Convention Fund as well.

NOTE 4: DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Statutes authorize the City to invest in obligations of the U. S. Treasury and U. S. Agencies, municipal bonds, and managed public funds investment pools. The City’s investments and deferred compensation plan assets (Note 5: F) for the year ended September 30, 2007, are as follows:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Credit Risk</u>
U.S. Government Securities	\$24,950,400	.87	AAA
TexPool	36,880,219	.14	AAA
TexStar	5,395,539	.12	AAA
NOW	10,256,081	.12	AAA
Cash in bank	<u>1,887,974</u>		
 Total fair value	 <u>\$79,370,213</u>		
 Portfolio weighted average maturity		 .34	

Credit Risk – In accordance with its investment policy, the City’s investment strategies are to identify suitable investments options, preserve principal by investing in options with limited perceived credit risk, and to diversify investment types. In addition, the City only uses approved broker / dealers meeting strict qualifications.

Interest Rate Risk – It is the City’s policy to invest in shorter-term securities to protect market valuation from unanticipated rate movements. In addition, the City will not directly invest in securities maturing more than two years from the date of purchase.

Concentration of Credit Risk – The City attempts to avoid over-investment in local government pools and matches a portion of its investments with anticipated cash flow requirements.

Custodial Credit Risk – Deposits – At September 30, 2007, the City held bank accounts, including a NOW interest bearing account, at two financial institutions. The bank account balances, less outstanding checks and deposits, totaled \$12,144,055 and the bank balances totaled \$14,079,222. Of the bank balances, \$200,000 was covered by federal depository insurance. The remaining balance was covered by collateral held in the pledging financial institutions’ trust department in the City’s name. In accordance with the City’s deposit and investment policy, all deposits placed at a financial institution shall be insured or collateralized in compliance with applicable State law. The City requires market value of pledged securities in excess of 102% of all uninsured deposits.

CITY OF TYLER, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 4: DETAILED NOTES ON ALL FUNDS – continued:

B. Receivables

Receivables as of year-end for the City’s individual major funds and nonmajor, internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

<u>Receivables:</u>	General Fund	1/2 Cent Sales Tax Fund	Utilities Fund	Sanitation Fund	Airport Fund	Non-Major Governmental Funds	Internal Service Funds	Fiduciary Funds	Total
Accounts	\$5,975,211	\$ -	\$ 3,553,533	\$ 1,267,575	\$458,476	\$ 244,503	\$ 166,334	\$ 9,616	\$11,675,248
Grants	-	-	-	-	-	1,187,455	-	-	1,187,455
Taxes	598,455	2,030,936	-	-	-	-	-	-	2,629,391
Miscellaneous	30,625	88,013	39,339	24,757	2,616	69,153	175,709	7,941	438,153
Gross receivables	6,604,291	2,118,949	3,592,872	1,292,332	461,092	1,501,111	342,043	17,557	15,930,247
Less: allowance for uncollectibles	(51,112)	-	(160,737)	(40,184)	-	-	-	-	(252,033)
Net total receivables	<u>\$6,553,179</u>	<u>\$2,118,949</u>	<u>\$3,432,135</u>	<u>\$1,252,148</u>	<u>\$461,092</u>	<u>\$ 1,501,111</u>	<u>\$ 342,043</u>	<u>\$ 17,557</u>	<u>\$15,678,214</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Unearned grant revenue		<u>\$ 131,170</u>
Deferred property taxes receivable	<u>\$ 555,600</u>	

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 4: DETAILED NOTES ON ALL FUNDS – continued:

C. Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 5,992,638	\$ 4,291,051	\$ -	\$ 10,283,689
Construction in progress	3,876,451	8,714,423	(198,780)	12,392,094
Total capital assets not being depreciated	<u>9,869,089</u>	<u>13,005,474</u>	<u>(198,780)</u>	<u>22,675,783</u>
Capital assets, being depreciated:				
Buildings	30,436,182	61,684	-	30,497,866
Improvements, other than buildings	82,153,344	880,728	-	83,034,072
Machinery and equipment	39,695,953	5,451,633	(7,295,357)	37,852,229
Infrastructure	235,647,781	1,164,752	-	236,812,533
Total capital assets being depreciated	<u>387,933,260</u>	<u>7,558,797</u>	<u>(7,295,357)</u>	<u>388,196,700</u>
Less accumulated depreciation for:				
Buildings	(10,223,590)	(714,430)	-	(10,938,020)
Improvements other than buildings	(21,780,414)	(6,793,722)	-	(28,574,136)
Machinery and equipment	(26,607,090)	(3,676,712)	6,049,918	(24,233,884)
Infrastructure	(127,286,999)	(5,938,367)	-	(133,225,366)
Total accumulated depreciation	<u>(185,898,093)</u>	<u>(17,123,231)</u>	<u>6,049,918</u>	<u>(196,971,406)</u>
Total capital assets being depreciated, net	<u>202,035,167</u>	<u>(9,564,434)</u>	<u>(1,245,439)</u>	<u>191,225,294</u>
Government activities capital assets, net	<u>\$ 211,904,256</u>	<u>\$ 3,441,040</u>	<u>\$ (1,444,219)</u>	<u>\$ 213,901,077</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 5,917,529	\$ -	\$ -	\$ 5,917,529
Construction in progress	1,901,174	9,259,825	(5,255,112)	5,905,887
Total capital assets, not being depreciated	<u>7,818,703</u>	<u>9,259,825</u>	<u>(5,255,112)</u>	<u>11,823,416</u>
Capital assets, being depreciated:				
Buildings	52,247,878	22,038	(12,103)	52,257,813
Improvements, other than buildings	193,091,129	2,763,995	(199,852)	195,655,272
Machinery and equipment	6,378,896	3,888,415	(2,499,863)	7,767,448
Infrastructure	1,594,589	2,971,634	(2,474,101)	2,092,122
Total capital assets being depreciated	<u>253,312,492</u>	<u>9,646,082</u>	<u>(5,185,919)</u>	<u>257,772,655</u>
Less accumulated depreciation for:				
Buildings	(16,761,566)	(1,226,946)	12,102	(17,976,410)
Improvements other than buildings	(52,547,994)	(5,994,946)	57,500	(58,485,440)
Machinery and equipment	(3,022,494)	(850,414)	1,704,690	(2,168,218)
Infrastructure	(79,192)	(53,202)	-	(132,394)
Total accumulated depreciation	<u>(72,411,246)</u>	<u>(8,125,508)</u>	<u>1,774,292</u>	<u>(78,762,462)</u>
Total capital assets being depreciated, net	<u>180,901,246</u>	<u>1,520,574</u>	<u>(3,411,627)</u>	<u>179,010,193</u>
Business-Type activities capital assets, net	<u>\$ 188,719,949</u>	<u>\$ 10,780,399</u>	<u>\$ (8,666,739)</u>	<u>\$ 190,833,609</u>

CITY OF TYLER, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 4: DETAILED NOTES ON ALL FUNDS – continued:

C. Capital Assets – continued:

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:	
General government	\$ 90,685
Public safety	2,600,047
Highways and streets, including depreciation of general infrastructure assets	10,341,131
Culture and recreation	989,150
Public service	733,574
Capital assets held by the government’s internal service funds are charged to the various functions based on their usage of the assets	<u>2,368,644</u>
Total depreciation expense – governmental activities	<u>\$ 17,123,231</u>
Business-type activities:	
Utilities	\$ 6,747,452
Sanitation	570,039
Airport	<u>808,017</u>
Total depreciation expense – business-type activities	<u>\$ 8,125,508</u>

Construction Commitments

As of September 30, 2007, the City was in the planning phase for several projects consisting of two fire stations and street construction and expansion. The planning phases for these projects consisted of purchasing land and right of way. While the City intends to begin construction on these projects in the future, no long-term contractual obligations have been incurred in relation to the following projects as of September 30, 2007.

<u>Project</u>	<u>Spent-to-date</u>	<u>Estimated Remaining Commitment</u>
Grande Blvd. Extension to Paluxy	\$ 11,103,192	\$12,346,000
Grande Blvd. Extension from Paluxy to Spur	86,610	16,000,000
Fire station # 7	300,089	1,518,911
Fire station # 10	906,857	912,143

The projects for public purposes are either funded from existing resources held by the General Fund or by resources held in the ½ Cent Sales Tax Fund.

CITY OF TYLER, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 4: DETAILED NOTES ON ALL FUNDS – continued:

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of September 30, 2007, is as follows:

Advances from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Passenger Facility	\$ 15,068
General Fund	CBDG Grant	38,904
General Fund	Home Grant	25,881
General Fund	State & Federal Grant	292,266
General Fund	Transit Grant	<u>528,179</u>
		<u>\$ 900,298</u>

The interfund balances result from overdrafts in the City's pooled cash account that were funded by the General Fund.

Transfers in:

	1/2 Cent Sales Tax Fund	Nonmajor Governmental Funds	Utilities Enterprise Funds	Airport Enterprise Funds	Sanitation Funds	Internal Service Funds	Total
Transfers out:							
General Fund	\$ -	\$ 1,956,723	\$ -	\$ -	\$ 27,658	\$ 165,859	\$ 2,150,240
1/2 Cent Sales Tax Fund	-	74,142	-	158,927	24,995	-	258,064
Nonmajor Governmental Funds	308,402	-	-	52,918	30,002	361,445	752,767
Utilities Enterprise Funds	-	155,000	12,304,614	-	-	-	12,459,614
Airport Enterprise Funds	23,872	-	-	4,530,778	-	-	4,554,650
Sanitation Enterprise Fund	-	2,000	-	-	7,101,530	-	7,103,530
Internal Service Funds	-	51,056	20,723	-	605,360	1,338,115	2,015,254
Total	<u>\$ 332,274</u>	<u>\$ 2,238,921</u>	<u>\$12,325,337</u>	<u>\$4,742,623</u>	<u>\$ 7,789,545</u>	<u>\$ 1,865,419</u>	<u>\$ 29,294,119</u>

Interfund transfers are made in accordance with the City's adopted budget or through approvals to meet unexpected operating needs.

E. Leases

Operating Leases

The City leases various types of equipment under annual cancelable (termination clause) operating leases. The combined annual expenditures for operating leases during the fiscal year ended September 30, 2007, were approximately \$533,000.

CITY OF TYLER, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 4: DETAILED NOTES ON ALL FUNDS – continued:

E. Leases – continued:

Capital Leases

The City has entered into various lease agreements as the lessee for financing the acquisition of support equipment related to a future upgrade in the City’s telephone system, Coban units for the Police and Fire Departments, voice over IP system, and multiple computer purchases. The lease agreements qualify as capital leases for accounting purposes. The assets acquired through the capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Machinery and Equipment	\$ 1,920,359
Less: Accumulated depreciation	<u>(347,793)</u>
Total	<u>\$ 1,572,566</u>

The future minimum lease obligations as of September 30, 2007, were as follows:

Year ending September 30:	
2008	\$ 535,255
2009	520,629
2010	156,833
2011	86,390
2012	86,390
2013 – 2018	<u>43,195</u>
Total amount of minimum lease payments	1,428,692
Less: amount representing interest	<u>(123,856)</u>
Present value of minimum lease payments	<u>\$ 1,304,836</u>

F. Long-Term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. The original amount issued in prior years was \$18,899,000. General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

<u>Issue</u>	<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Series 1997	Refunding	4.65 to 4.90%	<u>\$3,310,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$1,055,000	\$158,423
2009	1,105,000	108,838
2010	<u>1,150,000</u>	<u>56,350</u>
Total	<u>\$3,310,000</u>	<u>\$323,611</u>

The bonds were redeemed subsequent to September 30, 2007. Please see Note 5: J.

CITY OF TYLER, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 4: DETAILED NOTES ON ALL FUNDS – continued:

F. Long-Term Debt – continued:

Revenue Bonds

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The revenue bonds issued by the City in prior years were to fund construction projects to improve or expand the water system and to refund prior issuances. Income derived from the sale of water will be used to service the debt requirements. The original amount issued in prior years was \$68,440,000.

Revenue bonds currently outstanding are as follows:

<u>Issue</u>	<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Series 2000	Lake Palestine water treatment plant	5.00 to 5.70%	\$ 2,235,000
Series 2002	Lake Palestine water treatment plant	2.00 to 4.75%	13,005,000
Series 2003	Water meter replacement	2.00 to 5.00%	9,240,000
Series 2005	Advance Refunding	3.00 to 5.00%	<u>29,495,000</u>
Total outstanding revenue bonds			<u>\$53,975,000</u>

Annual debt service requirements to maturity for revenue bonds are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 2,525,000	\$ 2,534,786
2009	2,615,000	2,448,162
2010	2,720,000	2,335,161
2011	2,845,000	2,216,487
2012	2,960,000	2,104,662
2013-2017	9,310,000	8,932,353
2018-2022	9,655,000	6,820,434
2023-2027	12,350,000	4,126,191
2028-2030	<u>8,995,000</u>	<u>901,200</u>
Total	<u>\$53,975,000</u>	<u>\$32,419,436</u>

Revenue Bond Requirements - Required Prior Lien Reserves

The ordinance authorizing the issuance of the 1983 water and sewer prior lien revenue bonds, as amended by the ordinance issuing the 1989-B Revenue Refunding Bonds and later amended by the ordinance issuing the 1999 revenue refunding bonds, also created debt service and reserve funds and pledged the net revenues of the waterworks and sanitary sewer system in excess of the requirements of the 1982 bonds to the payment of the 1983 bonds. The reserve fund established by this ordinance requires that a balance equal to the average annual debt service requirements of the outstanding bonds be maintained. The issuance of the series 2005 water and sewer system revenue refunding bonds amended the reserve requirements mentioned above. As of September 30, 2007, the amended reserve requirement of \$2,545,789 has been satisfied through a reserve insurance policy and a surety bond taken out by the City. The reserve insurance policy would pay the annual debt service requirements in the event the City could not meet its debt service obligations, thus eliminating the need for the debt reserve fund.

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 4: DETAILED NOTES ON ALL FUNDS – continued:

F. Long-Term Debt – continued:

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2007, was as follows:

	Beginning Balance 10/1/06	Additions	Reductions	Ending Balance 9/30/07	Due Within One Year	Due in More Than One Year
Governmental Activities:						
Claims and judgments	\$ 195,000	\$ -	\$ 95,000	\$ 100,000	\$ 100,000	\$ -
General obligation bonds payable	4,340,000	-	1,030,000	3,310,000	1,055,000	2,255,000
Capital leases	381,586	1,389,259	466,009	1,304,836	474,476	830,360
Compensated absences	5,590,056	616,427	337,416	5,869,067	293,453	5,575,614
Governmental Activities Long-Term Liabilities	<u>\$10,506,642</u>	<u>\$ 2,005,686</u>	<u>\$ 1,928,425</u>	<u>\$10,583,903</u>	<u>\$1,922,929</u>	<u>\$ 8,660,974</u>
Business-type Activities:						
Revenue bonds payable	\$56,415,000	\$ -	\$ 2,440,000	\$53,975,000	\$2,525,000	\$ 51,450,000
Bond premium/(discount)	(176,187)	44,695	-	(131,492)	-	(131,492)
Compensated absences	509,854	25,231	19,803	515,282	25,764	489,518
Landfill closure and post-closure	235,205	-	-	235,205	235,205	-
Business-type Activities Long-Term Liabilities	<u>\$56,983,872</u>	<u>\$ 69,926</u>	<u>\$ 2,459,803</u>	<u>\$54,593,995</u>	<u>\$2,785,969</u>	<u>\$ 51,808,026</u>

The liabilities listed above for compensated absences and for claims and judgments will be liquidated by the City's General Fund and Utilities Fund. The liability for capital leases will be liquidated by the Technology Fund.

G. Prior Period Adjustment

During fiscal year 2007, the U.S. Department of Housing and Urban Development informed the City that its Section 8 Rental Voucher Program was a "subsidy" rather than a "grant". As a result, the excess revenue at the end of a fiscal year is not deferred revenue but rather recognized as revenue and is a component of net income. The prior period adjustment to fund balance on the government fund statements and the government-wide statements at October 1, 2006 is \$786,115.

NOTE 5: OTHER INFORMATION

A. Risk Management

Property and Liability Plans

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters. A comprehensive Self-Insurance plan for property and casualty, airport liability, and general liability coverage has been established. Third-party administrators handle property and casualty claims review and processing. The administrators also coordinate excess coverage claims with insurance companies that provide individual stop-loss for property claims at \$25,000, aggregate stop-loss at \$975,000, and individual stop-loss for liability claims at \$50,000 with an aggregate stop-loss at \$3,000,000, and individual stop-loss and an aggregate stop-loss on airport liability claims of \$5,000,000. All claims and maximums are calculated for a plan year ending each September 30. The amount of settlements has not exceeded insurance coverage for the last three fiscal years.

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 5: OTHER INFORMATION – continued:

A. Risk Management – continued:

Worker's Compensation Plan

The City is exposed to risk of loss due to injuries incurred by employees while performing work-related duties. The City has established and maintains a comprehensive self-insurance worker's compensation plan. Third party administrators also coordinate excess coverage claims with insurance companies that provide individual stop-loss for worker's compensation claims at \$400,000 and aggregate protection at \$1,000,000. The City tracks worker's compensation premiums and claim payments in the Property and Liability Insurance Fund.

Health, Dental, and Life Plans

HEALTH

Employee/Dependents and Non-Medicare Eligible Retirees/Dependents

The City implemented a partially self-insured health plan for employees, their dependents and retirees/dependents, who are non-Medicare eligible. Employees can choose between two (2) PPO Plans. Non-Medicare Retirees and/or their dependents that have been continuously covered under the City's health plan may elect to continue their coverage at retirement. The employees and non-Medicare Retirees pay a portion of the premiums and the City pays the remainder.

The City has retained an insurance policy for specific and aggregate stop-loss coverage. There is an individual stop-loss of \$100,000 per illness. A third-party administrator administers health claims and payments.

Medicare Eligible Retirees/Dependents

Retirees and/or their spouses who become eligible for Medicare and have been continuously covered under the City's health insurance plan may elect to participate in the City's self-funded prescription drug card plan and the Medicare Supplement Insurance Program. The retiree pays 30% and their dependent pays 60% of the premium. The City pays the remainder. The insurance provider for the Medicare Supplement Plan processes and pays health claims. A third-party administrator administers prescription claims and payments.

DENTAL

Employees/Retirees

The City offers fully self-funded dental and orthodontic benefits to eligible employees/dependents and retirees/dependents. Employees and retirees pay a portion of the premiums and the City pays the remainder. A third-party administrator administers dental claims and payments.

LIFE INSURANCE

Employees/Retirees

City provides \$10,000 basic life and AD&D insurance for each full-time active employee and \$5,000 basic life for eligible retirees. For employees actively at work, benefit amounts reduce to 65% of original coverage at age 65, 50% of original coverage at age 70 and to 30% of original coverage at age 75. This supplemental life coverage is portable. The insurance provider processes and pays life insurance claims.

Other Self-Insurance Plans

In addition, the City meets the self-insurance requirements as promulgated by the Environmental Protection Agency, through the Texas Water Commission, for potential third-party claims.

Estimated liabilities for claims incurred but not reported at year-end have been recorded in the Self-Insurance Funds and a reconciliation of changes in claims liabilities is included in the note on contingent liabilities.

CITY OF TYLER, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 5: OTHER INFORMATION – continued:

B. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal Government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable Funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's management and collective legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City. City management and the collective legal counsel have determined that estimated liability for outstanding lawsuit contingencies at September 30, 2007, was \$100,000. See Note 4: F. for a reconciliation of changes in claims and judgments.

The City's self-insurance program is described in Note 5: A. A reconciliation of the changes in the estimated liabilities for claims for the years ended September 30, 2007 and 2006 is presented below:

Fund	Insurance Claims Payable At Beginning of Year	Current Year Claims and Changes In Estimates	Actual Claim Payments	Insurance Claims Payable At End of Year
Employee Benefits Fund				
FYE 2006	\$ 757,320	\$ 5,597,435	\$ 5,363,722	\$ 991,033
FYE 2007	991,033	6,730,050	6,751,887	969,196

C. Joint Venture

The Northeast Texas Public Health District (“District”) was established by a cooperative agreement between the City and Smith County, Texas pursuant to authority granted by the Texas Health and Safety Code for the purpose of providing public health services previously provided by the participating entities. The District is considered a joint venture between the City and County with each retaining an equity interest based upon the percentage each contributed to the budget.

For the year ended September 30, 2007, the City budgeted funding of \$675,000 for the District and \$317,000 for Animal/Vector Control contractual services to be provided by the District. The City's equity interest in the District at September 30, 2007 is not available pending their year end audit. The change in the City's interest, if any, is not expected to have a material impact on the financial statements. Financial statements for the Health District may be obtained at the entity's administrative offices.

D. Water Rights

In 1965, the City purchased the right to 40% of the perpetual annual water yield of Lake Palestine from the Upper Neches River Municipal Water Authority. The City paid \$12,524,200 for the water rights. Management believes there is no impairment in the value of the water rights at September 30, 2007.

E. Other Post-Employment Benefits

In addition to providing pension benefits, the City Council adopted a policy whereby the City provides healthcare and life insurance benefits. Benefits are provided to all fire fighters who retire on or after age 55 with at least 20 years of service and to all other employees who retire on or after age 60 with at least 5 years of service or who have at least 20 years of service, regardless of age.

CITY OF TYLER, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 5: OTHER INFORMATION – continued:

E. Other Post-Employment Benefits – continued:

Retirees and their dependents, non-Medicare eligible, will continue with the same health and dental insurance coverage as active employees and their dependents. However, retirees are provided only \$5,000 group life insurance.

Retirees and their spouses who become Medicare-eligible and have been continuously covered under the City’s health insurance plan may elect to participate in the City’s prescription drug card plan and the Medicare Supplement insurance plan. Dental insurance coverage will continue as in prior years as will the retirees \$5,000 life insurance coverage and their supplemental life insurance is portable.

Healthcare and life insurance benefits are as follows:

	Number of Retirees <u>Participating</u>	Cost of Benefits <u>For FYE 9/30/2007</u>
Retirees – Life Insurance	310	\$ 48,260
Not Medicare Eligible:		
Health	127	1,096,843
Prescription Plan		255,000
Medicare Eligible		
Retiree and Spouse – Health	260	541,526
Retiree and Spouse – Prescription Plan	154	514,278
Retirees - Dental Insurance	270	118,040

F. Deferred Compensation

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. The plan assets are not a part of the City’s financial statements because a third party administrator holds these plan assets in trust.

The market value and carrying value of deferred compensation plan assets is \$8,845,288 as of September 30, 2007.

G. Pension Plans

1. Texas Municipal Retirement System Plan

TMRS Plan Description

The City provides pension benefits for all of its full-time employees with the exception of firefighters, through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 821 administered by TMRS, an agent multiple-employer public employee retirement system.

Firefighters are covered by a separate pension plan (see Note G: 2 below); therefore, they are not included in the Texas Municipal Retirement System Plan. All assumptions for valuations at December 31, 2006 are contained in the 2006 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P. O. Box 149153, Austin, TX 78714-9153.

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 5: OTHER INFORMATION – continued:

G. Pension Plans – continued:

1. Texas Municipal Retirement System Plan – continued:

TMRS Plan Description – continued:

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows (as of December 31, 2006 per TMRS):

Deposit Rate:	7%
Matching Ratio (City to Employee)	2 to 1
A member is vested after	5 years

Members can retire at certain ages, based on the years of service with the City. The Service Retirement Eligibilities for the City (expressed as years of service/age) are:

5 years/age 60
20 years/any age

Contributions Required and Contributions Made

Under the state law governing TMRS, the actuary annually determines the City's contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City's matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City's contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 2006 valuation is effective for rates beginning January 2008).

CITY OF TYLER, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 5: OTHER INFORMATION – continued:

G. Pension Plans – continued:

1. Texas Municipal Retirement System Plan – continued:

Contributions Required and Contributions Made – continued:

The City's contributions were based on an annual covered payroll of \$23,807,193. For the 2007 fiscal year, total contributions of \$3,404,280 were required and paid into the Fund. There were no related-party transactions. The City's current membership in TMRS is comprised of the following:

<u>Group</u>	<u>December 31, 2006</u>
Number of Annuitants	333
Number of Members	795
Number of Contributing Members	597

Trend Information:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Contribution as a Percentage of Payroll</u>	<u>Net Pension Obligation</u>
9/30/2004	\$ 2,815,775	100%	12.65%	\$ -
9/30/2005	3,233,357	100%	13.50%	-
9/30/2006	3,404,280	100%	15.12%	-

Actuarial Assumptions:

Actuarial Cost Method	Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	25 Years – Open Period
Asset Valuation Method	Amortized Cost (to accurately reflect the requirements of GASB Statement No. 25, paragraphs 36e and 138)
Investment Rate of Return	7%
Projected Salary Increases	None
Includes Inflation At	3.5%
Cost-of-Living Adjustments	None

Future Changes In Actuarial Methods

At its December 8, 2007 meeting, the TMRS Board of Trustees announced that it would implement a new actuarial methodology relating to future cost of living increases for retired employees. Based upon preliminary actuarial studies, TMRS has announced that it will need its member municipalities to fund approximately \$1.7 billion to restore the funded level of TMRS to a level that is considered financially sound. TMRS has over 800 participating municipalities and covers over 130,000 municipal employees in the State of Texas. In late 2007, member municipalities, including the City, were given preliminary assessments of their increased contribution rates by TMRS, although final figures are not expected until April or May 2008. TMRS has advised municipalities that face a contribution rate increase in excess of one half of one percent (.5%), which includes the City, that they may choose to fund their increased contribution over an 8 year period, and that they may extend the actuarial period of their plan from 25 years, as at present, to 30 years.

CITY OF TYLER, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 5: OTHER INFORMATION – continued:

G. Pension Plans – continued:

1. Texas Municipal Retirement System Plan – continued:

Future Changes In Actuarial Methods – continued:

The City anticipates that it will join a consortium of cities to engage an actuarial consultant to advise on options for funding increased TMRS contributions. The City Council could also consider making changes to its TMRS participation plan that may decrease the financial impact of the new actuarial methodology on the City. While the City has not received a final assessment from TMRS, based upon the preliminary figures provided to it by TMRS, and considering the potential for phasing in the increased contributions, the City does not believe that the increase will materially adversely impact its financial condition.

2. Tyler Firefighter's Relief and Retirement Fund

Plan Description:

The Board of Trustees of the Tyler Firefighter's Relief and Retirement Fund is the administrator of a single-employer defined benefit pension plan. The plan is considered an independent reporting entity and is not included as a subdivision or component of the City's financial reporting entity. All assumptions for valuations at December 31, 2006, are contained in the 2006 Tyler Firefighter's Relief and Retirement Fund audited financial statements, a copy of which may be obtained at the Fire Pension Board, 1718 West Houston St., Tyler, Texas 75702.

Firefighters in the Tyler Fire Department are covered by the Tyler Firefighter's Relief and Retirement Fund. The table below summarizes the membership of the Fund at December 31, 2006:

<u>Group</u>	<u>December 31, 2006</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	84
Current employees:	
Fully vested	36
Non-vested	100
Total	220

The Tyler Firefighter's Relief and Retirement Fund provides service retirement, death, disability, and withdrawal benefits. These benefits vest after 20 years of credited service. Employees may retire at age 50 with 25 years of service, or age 55 with 20 years of service. The plan, effective December 12, 2002 and amended December 22, 2002, provides a monthly normal form of service retirement benefit, as a Joint and 66 2/3% spouse form of annuity, equal to 71.5% of the highest 60-month average salary plus an additional \$113 per year of service for service in excess of 20 years.

There is no provision for automatic postretirement benefit increases. The fund has the authority to provide, and has periodically in the past provided for, ad hoc postretirement benefit increases. The benefit provisions of this plan are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions.

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 5: OTHER INFORMATION – continued:

G. Pension Plans - continued

2. Tyler Firefighter's Relief and Retirement Fund – continued:

Contributions Required and Contributions Made

The contribution provisions of this plan are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the City.

While the contribution requirements are not actuarially determined, state law requires that each plan of benefits adopted by the fund must be approved by an eligible actuary. The actuary certifies that the contribution commitment by the firefighters and the City provides an adequate financing arrangement. Using the entry age actuarial cost method, the plan's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan's unfunded actuarial accrued liability (UAAL). The number of years needed to amortize the plan's UAAL is determined using a level percentage of payroll method.

The costs of administering the plan are financed from the fund.

The plan was amended January 1, 2005 to require the Tyler Firefighter's Relief and Retirement Funds' contributions to equal to 13.50% of pay by the firefighters. The City's contribution rate is based on the Texas Municipal Retirement System's formula, which for the years ended December 31, 2006 and 2005 were 14.00% and 14.60%, respectively. The December 31, 2005 actuarial valuation assumes that the City's contribution rate will average 14.00% of payroll in the future.

Annual Pension Cost:

For the fiscal year ending September 30, 2007, the City of Tyler's annual pension cost was \$1,091,770 as described below in the Trend Information. Based on the results of the December 31, 2005 actuarial valuation of the Plan effective January 1, 2005, the Board's actuary found that the fund has an adequate financing arrangement based on the current level of the firefighter and City of Tyler's contribution rates. The funding policy of the fund requires the firefighters to contribute 13.50% of pay and the City to contribute the same percentage of payroll that the City contributes to the Texas Municipal Retirement System for other employees. These contributions rates were reflected in the December 31, 2005 actuarial valuation.

The annual required contributions (ARC) by the City for the fiscal year ending September 30, 2007 were based on the results of the actuarial valuations as of December 31, 2005 using the entry age actuarial cost method and was determined to be in compliance with the parameters of the Governmental Accounting Standards Board (GASB) Statement No. 27.

CITY OF TYLER, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2007

NOTE 5: OTHER INFORMATION – continued:

G. Pension Plans – continued:

2. Tyler Firefighter's Relief and Retirement Fund – continued:

Annual Pension Cost – continued:

The actuarial method and assumptions used for this valuation is shown below:

Valuation date	12/31/2005
Actuarial cost method	Entry age
Amortized method	Level percent of projected payroll, open
Amortized period for ARC	32 years
Actuarial assumptions:	
• Investment return	8.00% per year
• Projected salary increases	5.70% per year
• Inflation	3.75% per year
• Cost-of-living increases	None
• Payroll increases	4.00% per year

Trend Information:

Plan Year Ended December 31	Annual Contribution As a Percentage of Payroll	Annual Required Contribution (ARC)	Percentage Contributed
2004	11.5% / 13.09%	\$ 777,111	100%
2005	13.50%	948,533	100%
2006	14.60%	1,078,622	100%

For the 2007 fiscal year, total contributions of \$2,173,822 were required and were paid into the Fund. Total contributions made for the 2006 and 2005 fiscal year were \$2,021,748 and \$1,746,613, respectively.

CITY OF TYLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 5: OTHER INFORMATION – continued:

H. Commitments

The City invested in other projects and contracts with outside parties. The more significant of these at September 30, 2007, are as follows:

Greenwood Landfill TX, L.P. – The City established a trust fund in January 2001 to ensure the eventual closure and post-closure expenditure requirements. The trust fund will be 100% funded by Greenwood Landfill TX, L.P. (Greenwood). The initial agreement was that Greenwood would fund the trust at the annual rate of \$400,000 per year for 5 years. In January 2005 the agreement was amended to reduce the annual funding rate to \$36,000 per year beginning October 1, 2004 to allow Greenwood to actively pursue authorization to expand the Landfill from the appropriate regulatory agencies. The funding will be re-evaluated periodically to determine future needs. The trust is set up as an expendable trust with expenditures restricted to closure and post-closure costs. Liability for closure and post-closure costs are the responsibility of Greenwood and will be calculated annually under requirements established by the Texas Commission on Environmental Quality.

Water Sales Contracts – The City has an agreement with surrounding cities and water supply corporations to provide a supplemental source of water. The amount to be provided is estimated to be 50% of the annual supply. The parties have established a minimum annual and monthly take or pay volume and a surcharge to water taken above maximum day volume.

I. Landfill Closure and Postclosure Costs

Ewing Landfill – The City of Tyler is responsible for closure and postclosure costs associated with the Ewing Landfill, a municipal sanitation landfill. The landfill stopped accepting waste in 1988. Currently, the City is in the process of final closure of the landfill and received a final inspection report from the Texas Commission on Environment Quality. The inspection was performed in accordance with the approved Response Action Plan dated June 16, 2003.

The City has recognized a postclosure liability of approximately \$235,000 in the Sanitation Fund, which is an estimate of the total landfill closure and postclosure costs. This estimate is subject to changes resulting from inflation/deflation, technology, or changes in applicable laws or regulations. One hundred percent of the landfill's capacity has been utilized and has no remaining useful life.

Greenwood Landfill – The City has contracted with a private enterprise to operate the Greenwood Landfill. The private enterprise bears the full financial responsibility of operating the landfill including all closure and postclosure costs. The operator is funding a landfill trust, which is administered by the City of Tyler and established for the future closure and postclosure costs of the Greenwood Landfill.

J. Subsequent Events

General Obligation Bonds

On January 23, 2008, the City Council approved a resolution to redeem the bonds known as "*City of Tyler, Texas General Obligation Refunding Bonds, Series 1997*," dated November 1, 1997, maturing on August 15, in the years 2008 through 2010, and aggregating in principal amount of \$3,310,000. The bonds were redeemed on March 1, 2008.

2008 Water & Sewer System Revenue Bonds

On February 27, 2008, the City Council approved a resolution for the sale of revenue bonds totaling \$5,120,000 to fund water and sewer infrastructure projects in developing areas of Tyler.

REQUIRED SUPPLEMENTAL INFORMATION

**CITY OF TYLER, TEXAS
REQUIRED SUPPLEMENTAL INFORMATION**

**TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio c=(a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of covered payroll ((b-a)/c)
12/31/2004	\$ 52,175,928	\$ 76,050,415	\$ 23,874,487	68.6%	\$ 21,458,158	111.3%
12/31/2005	55,372,189	81,715,361	26,343,172	67.8%	22,779,023	115.6%
12/31/2006	57,705,955	86,492,637	28,786,682	66.7%	23,807,193	120.9%

**TYLER FIREFIGHTER'S RELIEF AND RETIREMENT FUND
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (b)	Unfunded (Overfunded) AAL (UAAL) (b - a)	Funded Ratio (a/b)	Annual Covered Payroll (c) (1)	UAAL as a Percentage of covered Payroll ((b-a)/c)
12/31/2001 (1)	\$ 38,040,060	\$ 39,820,577	\$ 1,780,517	95.5%	\$ 5,641,878	31.6%
12/31/2003 (2)	38,363,213	44,815,187	6,451,974	85.6%	6,434,890	100.3%
12/31/2005 (3)	38,914,954	50,047,120	11,132,166	77.8%	7,283,688	152.8%

- Note 1 Based on the Plan effective as of November 1, 2000.
 Note 2 Based on the Plan effective as of December 12, 2002.
 Note 3 Based on the Plan effective as of January 1, 2005.



A Natural Beauty

ADDITIONAL SUPPLEMENTAL INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

The *Development Services Fund* was established to account for the receipt and disbursement of permit and zoning related items involved in the building and construction industries. The separate fund allows for more complete costing of these related items.

The *Police Forfeiture Fund* was established to account for the receipt and disbursement of funds seized by the Police Department and subsequently awarded to the City through court-ordered judgments, primarily cases involving illegal drugs.

The *Court Technology Fund* was established to track the receipt of court fees restricted for court technology purchases.

The *Hotel-Motel Occupancy Tax Fund* was established to account for the receipt and disbursement of funds generated by the Hotel-Motel Occupancy Tax.

The *Donations Fund* was established to account for the receipt and disbursement of funds for specified miscellaneous projects. There are small projects budgeted in other City funds which were incomplete at year-end.

The *Tourism and Convention Fund* was established to account for the operations of the Harvey Convention Center.

The *Passenger Facility Charge Fund* was established to account for the receipt and disbursement of passenger facility charges collected from ticketed passengers at Tyler Pounds Regional Airport.

The *Oil and Natural Gas Fund* was established to track revenue received from lease royalties to be used for projects identified by Council.

The *Homeownership and Housing Fund* was established to account for the receipt and disbursement of overhead allowances in excess of actual costs in the Section 8 Grant Program.

The *CDBG Fund* was established to account for the receipt and disbursement of CDBG Grant monies allocated to the City.

The *Home Grant Fund* was established to account for the receipt and disbursement of Home Grant monies allocated to the City to provide affordable housing for low income households.

The *Housing Assistance Payment Fund* was established to account for the receipt and disbursement of Department of Housing and Urban Development - Housing Assistance Payments Program Funds.

The *State and Federal Grants Fund* was created to account for the receipt and disbursement of Federal and State Grants for which no separate fund has been established. These are generally fairly small grants which are expended fairly quickly.

SPECIAL REVENUE FUNDS, CONTINUED

The *Transit System Fund* was established to account for the receipt and disbursement of Federal and State Grant Funds received for the operation of the City's Transit System.

The *Payroll Liability Fund* is a clearing account for the City's payroll. This fund disburses payroll and is reimbursed by the other City funds.

DEBT SERVICES FUND

The *General Debt Services Fund* is used to account for the accumulation of resources and payment of general long-term debt principle, interest, and related costs of all the City's general long-term debt.

CAPITAL PROJECTS FUND

The *General Capital Projects Fund* is funded periodically by excesses remaining in the General Fund balance and is used to pay for one time only capital expenditures.

PERMANENT FUND

The *Cemeteries Fund* was established to provide perpetual care and maintenance to the City's cemeteries.

CITY OF TYLER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007

	SPECIAL REVENUE FUNDS									
	DEVELOPMENT SERVICES	POLICE FORFEITURE	COURT TECHNOLOGY	HOTEL-MOTEL OCCUPANCY TAX	DONATIONS	TOURISM AND CONVENTION	PASSENGER FACILITY CHARGE	OIL AND NATURAL GAS		
ASSETS										
Equity in pooled cash and investments	\$ 718,247	\$ 339,175	\$ 348,250	\$ 1,238,266	\$ 495,491	\$ 117,736	\$ -	\$ 3,980,787		
Accounts and grants receivable	2,907	1,409	1,366	177,835	-	444	15,068	72,515		
Prepaid items	-	-	-	-	-	-	-	-		
Total assets	\$ 718,154	\$ 340,584	\$ 349,616	\$ 1,416,101	\$ 495,491	\$ 118,180	\$ 15,068	\$ 4,053,302		
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ 47,240	\$ 461	\$ -	\$ -	\$ 5,154	\$ 124,717	\$ -	\$ -		
Deposits and other refundable balances	267,204	50,574	-	-	-	36,967	-	-		
Due to other funds	-	-	-	-	-	-	15,068	-		
Deferred revenue	-	-	-	-	-	-	-	-		
Total liabilities	314,444	51,035	-	-	5,154	161,684	15,068	-		
Fund balances:										
Reserved for:										
Debt service	-	-	-	-	-	-	-	-		
Perpetual care	-	-	-	-	-	-	-	-		
Court ordered disbursements	-	289,549	-	-	-	-	-	-		
Court technology	-	-	349,616	-	-	-	-	-		
Capital Projects	-	-	-	-	-	-	-	-		
Grants / donations	-	-	-	-	490,337	-	-	-		
Total reserved fund balances	-	289,549	349,616	-	490,337	-	-	-		
Undesignated, reported in:										
Special revenue funds	403,710	-	-	1,416,101	-	(43,504)	-	4,053,302		
Permanent funds	-	-	-	1,416,101	-	(43,504)	-	-		
Total unreserved undesignated fund balances	403,710	-	-	1,416,101	-	(43,504)	-	4,053,302		
Total fund balances	403,710	289,549	349,616	1,416,101	490,337	(43,504)	-	4,053,302		
Total liabilities and fund balances	\$ 718,154	\$ 340,584	\$ 349,616	\$ 1,416,101	\$ 495,491	\$ 118,180	\$ 15,068	\$ 4,053,302		

(continued)

CITY OF TYLER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007

		SPECIAL REVENUE FUNDS (continued)							TOTAL SPECIAL REVENUE FUNDS
		HOME-OWNERSHIP AND HOUSING	CDBG	HOME GRANT	HOUSING ASSISTANCE PAYMENT	STATE AND FEDERAL GRANTS	TRANSIT SYSTEM	PAYROLL LIABILITY	
ASSETS									
Equity in pooled cash and investments	\$ 98,427	\$ -	\$ -	\$ -	\$ 1,197,882	\$ -	\$ 50	\$ 928,056	\$ 9,459,367
Accounts and grants receivable	393	128,243	39,846	79,400	380,362	565,755	-	-	1,465,543
Prepaid items	-	1,940	-	-	-	-	-	-	1,940
Total assets	\$ 98,820	\$ 130,183	\$ 39,846	\$ 1,277,282	\$ 380,362	\$ 565,805	\$ 928,056	\$ 10,926,850	
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 20	\$ 82,335	\$ 13,965	\$ 23,251	\$ 34,960	\$ 22,386	\$ 928,056	\$ 1,282,545	
Deposits and other refundable balances	-	-	-	-	-	-	-	354,745	
Due to other funds	-	38,904	25,881	-	292,266	528,179	-	900,298	
Deferred revenue	-	149	-	-	53,133	-	-	53,282	
Total liabilities	20	121,388	39,846	23,251	380,359	550,565	928,056	2,590,870	
Fund balances:									
Reserved for:									
Debt service	-	-	-	-	-	-	-	-	-
Perpetual care	-	-	-	-	-	-	-	-	-
Court ordered disbursements	-	-	-	-	-	-	-	-	289,549
Court technology	-	-	-	-	-	-	-	-	349,616
Capital Projects	-	-	-	-	-	-	-	-	-
Grants / donations	98,800	8,795	-	1,254,031	3	15,240	-	-	1,867,206
Total reserved fund balances	98,800	8,795	-	1,254,031	3	15,240	-	-	2,506,371
Unreserved fund balances:									
Undesignated, reported in:									
Special revenue funds	-	-	-	-	-	-	-	-	5,829,609
Permanent funds	-	-	-	-	-	-	-	-	-
Total unreserved undesignated fund balances	-	-	-	-	-	-	-	-	5,829,609
Total fund balances	98,800	8,795	-	1,254,031	3	15,240	-	-	8,335,980
Total liabilities and fund balances	\$ 98,820	\$ 130,183	\$ 39,846	\$ 1,277,282	\$ 380,362	\$ 565,805	\$ 928,056	\$ 10,926,850	

(continued)

CITY OF TYLER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007

	OTHER FUNDS	PERMANENT FUNDS	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
ASSETS			
Equity in pooled cash and investments			
Accounts and grants receivable	\$ 3,298,805	\$ 2,719,551	\$ 18,262,135
Prepaid items	13,131	10,892	1,501,111
	-	-	1,940
Total assets	<u>\$ 3,311,936</u>	<u>\$ 2,730,443</u>	<u>\$ 19,765,186</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 7,944	\$ 1,356,033
Deposits and other refundable balances	-	-	354,745
Due to other funds	-	-	900,298
Deferred revenue	-	-	53,282
Total liabilities	<u>-</u>	<u>7,944</u>	<u>2,664,358</u>
Fund balances:			
Reserved for:			
Debt service	3,311,936	-	3,311,936
Perpetual care	-	2,270,281	2,270,281
Court ordered disbursements	-	-	289,549
Court technology	-	-	349,616
Capital Projects	-	2,730,413	2,730,413
Grants / donations	-	-	1,867,206
Total reserved fund balances	<u>3,311,936</u>	<u>2,270,281</u>	<u>10,819,001</u>
Unreserved fund balances:			
Undesignated, reported in:			
Special revenue funds	-	-	5,829,609
Permanent funds	-	452,218	452,218
Total unreserved undesignated fund balances	<u>-</u>	<u>452,218</u>	<u>6,281,827</u>
Total fund balances	<u>3,311,936</u>	<u>2,722,499</u>	<u>17,100,828</u>
Total liabilities and fund balances	<u>\$ 3,311,936</u>	<u>\$ 2,730,443</u>	<u>\$ 19,765,186</u>

CITY OF TYLER, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

		SPECIAL REVENUE FUNDS							
	DEVELOPMENT SERVICES	POLICE FORFEITURE	COURT TECHNOLOGY	HOTEL-MOTEL OCCUPANCY TAX	DONATIONS	TOURISM AND CONVENTION	PASSENGER FACILITY CHARGE	OIL AND NATURAL GAS	
REVENUES									
Taxes	\$ 1,111,346	\$ -	\$ -	\$ 1,925,052	\$ -	\$ -	\$ -	\$ -	
Licenses & permits	-	-	-	-	-	-	-	-	
Grants	-	-	-	-	-	-	-	-	
Fines, forfeitures, and penalties	-	135,759	135,160	-	-	-	-	-	
Revenues from use of money and property	25,737	16,019	15,945	46,739	-	349,367	546	182,933	
Donations	-	-	-	-	731,232	-	-	-	
Charges for services	40,372	-	-	-	-	854,238	340,973	-	
Miscellaneous	170,133	-	-	-	-	5,142	-	421,220	
Total revenues	<u>1,347,588</u>	<u>151,778</u>	<u>151,105</u>	<u>1,971,791</u>	<u>731,232</u>	<u>1,208,747</u>	<u>341,519</u>	<u>604,153</u>	
EXPENDITURES									
Current									
General government	-	-	-	-	512	-	-	-	
Public safety	-	12,895	21,556	-	12,015	-	-	-	
Highways and streets	-	-	-	-	-	-	-	-	
Culture and recreation	-	-	-	-	50,545	1,376,760	-	215,776	
Public services	1,362,671	-	-	1,480,058	11,553	-	-	-	
Capital outlay	3,000	51,643	119,625	-	383,763	31,978	-	-	
Debt Service:									
Principal	-	-	-	-	-	-	-	-	
Interest and fiscal charges	-	901	-	-	-	-	-	-	
Total expenditures	<u>1,365,671</u>	<u>65,439</u>	<u>141,181</u>	<u>1,480,058</u>	<u>458,388</u>	<u>1,408,738</u>	<u>-</u>	<u>215,776</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>(18,083)</u>	<u>86,339</u>	<u>9,924</u>	<u>491,733</u>	<u>272,844</u>	<u>(199,991)</u>	<u>341,519</u>	<u>388,377</u>	
OTHER FINANCING SOURCES (USES)									
Transfers in	300,000	-	-	-	-	100,000	-	-	
Transfers out	-	-	(29,005)	(200,000)	(97,440)	-	(341,519)	-	
Total other financing sources (uses)	<u>300,000</u>	<u>-</u>	<u>(29,005)</u>	<u>(200,000)</u>	<u>(97,440)</u>	<u>100,000</u>	<u>(341,519)</u>	<u>-</u>	
Net change in fund balances	<u>281,917</u>	<u>86,339</u>	<u>(19,081)</u>	<u>291,733</u>	<u>175,404</u>	<u>(99,991)</u>	<u>-</u>	<u>388,377</u>	
Fund balances - October 1, 2006, as previously reported	121,793	203,210	368,697	1,124,368	314,933	56,487	-	3,664,925	
Prior period adjustment	-	-	-	-	-	-	-	-	
Fund balances - October 1, 2006, as restated	<u>121,793</u>	<u>203,210</u>	<u>368,697</u>	<u>1,124,368</u>	<u>314,933</u>	<u>56,487</u>	<u>-</u>	<u>3,664,925</u>	
Fund balances - September 30, 2007	<u>\$ 403,710</u>	<u>\$ 289,549</u>	<u>\$ 349,616</u>	<u>\$ 1,416,101</u>	<u>\$ 490,337</u>	<u>\$ (43,504)</u>	<u>\$ -</u>	<u>\$ 4,053,302</u>	

(continued)

CITY OF TYLER, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	SPECIAL REVENUE FUNDS (continued)							
	HOME-OWNERSHIP AND HOUSING	CDBG	HOME GRANT	HOUSING ASSISTANCE PAYMENT	STATE AND FEDERAL GRANTS	TRANSIT SYSTEM	PAYROLL LIABILITY	TOTAL SPECIAL REVENUE FUNDS
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,925,052
Licenses & permits	-	-	-	-	-	-	-	1,111,346
Grants	21,000	1,059,360	963,658	6,377,571	795,978	1,524,681	-	10,742,248
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	270,919
Revenues from use of money and property	5,166	-	-	74,870	-	-	-	717,322
Donations	-	-	-	-	-	-	-	731,232
Charges for services	-	-	-	-	-	124,904	-	1,360,487
Miscellaneous	-	3,010	2,500	85,076	-	2,404	-	689,485
Total revenues	26,166	1,062,370	966,158	6,537,517	795,978	1,651,989	-	17,548,091
EXPENDITURES								
Current								
General government	-	-	-	-	-	-	-	512
Public safety	-	-	-	-	-	-	-	46,466
Highways and streets	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	1,643,081
Public services	26,689	807,491	964,087	6,166,279	544,135	2,113,499	-	13,476,462
Capital outlay	18,000	253,340	2,071	-	381,235	68,581	-	1,313,236
Debt Service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	901
Total expenditures	44,689	1,060,831	966,158	6,166,279	925,370	2,182,080	-	16,480,658
Excess (deficiency) of revenues over (under) expenditures	(18,523)	1,539	-	371,238	(129,392)	(530,091)	-	1,067,433
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	103,115	377,750	-	880,865
Transfers out	-	-	-	-	(49,803)	(35,000)	-	(752,767)
Total other financing sources (uses)	-	-	-	-	53,312	342,750	-	128,098
Net change in fund balances	(18,523)	1,539	-	371,238	(76,080)	(187,341)	-	1,195,531
Fund balances - October 1, 2006, as previously reported	117,323	7,256	-	96,678	76,083	202,581	-	6,354,334
Prior period adjustment	-	-	-	786,115	-	-	-	786,115
Fund balances - October 1, 2006, as restated	117,323	7,256	-	882,793	76,083	202,581	-	7,140,449
Fund balances - September 30, 2007	\$ 98,800	\$ 8,795	\$ -	\$ 1,254,031	\$ 3	\$ 15,240	\$ -	\$ 8,335,980

(continued)

CITY OF TYLER, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	OTHER FUNDS	PERMANENT FUNDS	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES			
Taxes	\$ 1,424,168	\$ -	\$ 3,349,220
Licenses & permits	-	-	1,111,346
Grants	-	-	10,742,248
Fines, forfeitures, and penalties	-	-	270,919
Revenues from use of money and property	190,890	128,968	1,224,136
Donations	-	-	731,232
Charges for services	-	56,971	1,417,458
Miscellaneous	-	850	1,113,617
Total revenues	<u>1,615,058</u>	<u>186,789</u>	<u>19,960,176</u>
EXPENDITURES			
Current			
General government	-	-	310,939
Public safety	-	-	242,615
Highways and streets	-	-	-
Culture and recreation	-	190,542	1,833,623
Public services	-	-	13,476,462
Capital outlay	-	-	3,384,026
Debt Service:			
Principal	1,030,000	-	1,030,000
Interest and fiscal charges	210,832	-	211,733
Total expenditures	<u>1,240,832</u>	<u>190,542</u>	<u>20,489,398</u>
Excess (deficiency) of revenues over (under) expenditures	<u>374,226</u>	<u>(1,967,128)</u>	<u>(529,222)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	1,358,056	2,238,921
Transfers out	-	-	(752,767)
Total other financing sources (uses)	<u>-</u>	<u>1,358,056</u>	<u>1,486,154</u>
Net change in fund balances	<u>374,226</u>	<u>(609,072)</u>	<u>956,932</u>
Fund balances - October 1, 2006, as previously reported	2,937,710	3,339,485	15,357,781
Prior period adjustment	-	-	786,115
Fund balances - October 1, 2006, as restated	<u>2,937,710</u>	<u>3,339,485</u>	<u>16,143,896</u>
Fund balances - September 30, 2007	<u>\$ 3,311,936</u>	<u>\$ 2,730,413</u>	<u>\$ 17,100,828</u>

CITY OF TYLER, TEXAS
DEVELOPMENT SERVICES FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Licenses & permits:			
Building permits	\$ 366,250	\$ 506,561	\$ 140,311
Electrical permits	146,800	256,665	109,865
Plumbing permits	108,800	157,237	48,437
Zoning permits	40,650	39,748	(902)
Mechanical permits	52,600	73,705	21,105
Occupation permits	20,950	21,620	670
Sign permits	20,200	15,920	(4,280)
Contractor permits	40,000	39,500	(500)
House moving permits	1,500	390	(1,110)
Total licenses & permits	<u>797,750</u>	<u>1,111,346</u>	<u>313,596</u>
Charges for services			
Maps, plans and spec fees	300	491	191
Platting fees	28,700	39,787	11,087
Copying, printing fees	-	94	94
Total charges for services	<u>29,000</u>	<u>40,372</u>	<u>11,372</u>
Revenues from use of money and property	4,000	25,737	21,737
Miscellaneous	<u>250,000</u>	<u>170,133</u>	<u>(79,867)</u>
Total revenues	<u>1,080,750</u>	<u>1,347,588</u>	<u>266,838</u>
EXPENDITURES			
Planning & zoning			
Salaries	279,849	265,649	14,200
Supplies & services	101,545	122,996	(21,451)
Utilities	1,020	1,636	(616)
Maintenance	2,736	2,582	154
Capital outlay	<u>22,457</u>	<u>3,000</u>	<u>19,457</u>
Total planning & zoning	<u>407,607</u>	<u>395,863</u>	<u>11,744</u>
Buildings, standards & inspections:			
Salaries	791,129	713,076	78,053
Supplies & services	152,685	229,487	(76,802)
Utilities	7,196	5,206	1,990
Maintenance	<u>23,008</u>	<u>22,039</u>	<u>969</u>
Total building, standards & inspections	<u>974,018</u>	<u>969,808</u>	<u>4,210</u>
Total expenditures	<u>1,381,625</u>	<u>1,365,671</u>	<u>15,954</u>
Deficiency of revenues under expenditures	<u>(300,875)</u>	<u>(18,083)</u>	<u>282,792</u>
OTHER FINANCING SOURCES			
Transfers in	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Total other financing sources	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures - GAAP basis	<u>\$ (875)</u>	<u>281,917</u>	<u>\$ 282,792</u>
Fund balance - October 1, 2006		<u>121,793</u>	
Fund balance - September 30, 2007		<u>\$ 403,710</u>	

**CITY OF TYLER, TEXAS
POLICE FORFEITURE FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Fines, forfeitures, and penalties	\$ 60,000	\$ 135,759	\$ 75,759
Revenues from use of money and property	8,000	16,019	8,019
Total revenues	<u>68,000</u>	<u>151,778</u>	<u>83,778</u>
EXPENDITURES			
Public Safety:			
Supplies and services	10,365	12,895	(2,530)
Capital outlay	61,550	51,643	9,907
Interest	-	901	(901)
Total expenditures	<u>71,915</u>	<u>65,439</u>	<u>6,476</u>
Excess of revenues over (under) expenditures	<u>\$ (3,915)</u>	86,339	<u>\$ 90,254</u>
Fund balance - October 1, 2006		<u>203,210</u>	
Fund balance - September 30, 2007		<u>\$ 289,549</u>	

**CITY OF TYLER, TEXAS
COURT TECHNOLOGY FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES			
Fines, forfeitures, and penalties	\$ 115,000	\$ 135,160	\$ 20,160
Revenues from use of money and property	9,500	15,945	6,445
Total revenues	<u>124,500</u>	<u>151,105</u>	<u>26,605</u>
EXPENDITURES			
Public Safety:			
Supplies and services	-	21,556	(21,556)
Capital outlay	223,000	119,625	103,375
Total expenditures	<u>223,000</u>	<u>141,181</u>	<u>81,819</u>
Excess of revenues over (under) expenditures	<u>(98,500)</u>	<u>9,924</u>	<u>108,424</u>
OTHER FINANCING (USES)			
Transfers out	-	(29,005)	(29,005)
Total other financing (uses)	<u>-</u>	<u>(29,005)</u>	<u>(29,005)</u>
Deficiency of revenues under expenditures and other financing uses - GAAP basis	<u>\$ (98,500)</u>	<u>(19,081)</u>	<u>\$ 79,419</u>
Fund balance - October 1, 2006		<u>368,697</u>	
Fund balance - September 30, 2007		<u>\$ 349,616</u>	

CITY OF TYLER, TEXAS
HOTEL-MOTEL OCCUPANCY TAX FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Taxes	\$ 1,683,448	\$ 1,925,052	\$ 241,604
Revenue from use of money and property	20,000	46,739	26,739
Total revenues	<u>1,703,448</u>	<u>1,971,791</u>	<u>268,343</u>
EXPENDITURES			
Hotel-Motel Administration:			
East Texas Symphony	12,500	12,500	-
Tyler Museum of Art	49,500	49,500	-
Smith County Historical Society	9,500	10,787	(1,287)
Tyler Chamber of Commerce	548,033	548,033	-
McClendon House	5,000	5,000	-
Rose Garden	854,238	854,238	-
Total Hotel-Motel administration	<u>1,478,771</u>	<u>1,480,058</u>	<u>(1,287)</u>
Total expenditures	<u>1,478,771</u>	<u>1,480,058</u>	<u>(1,287)</u>
Excess of revenues over expenditures	<u>224,677</u>	<u>491,733</u>	<u>267,056</u>
OTHER FINANCING (USES)			
Transfers out	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
Total other financing	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
Excess of revenues over expenditures and other financing uses - GAAP basis	<u>\$ 24,677</u>	291,733	<u>\$ 267,056</u>
Fund balance - October 1, 2006		<u>1,124,368</u>	
Fund balance - September 30, 2007		<u>\$ 1,416,101</u>	

CITY OF TYLER, TEXAS
TOURISM AND CONVENTION FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenues from use of money and property	\$ 365,050	\$ 349,367	\$ (15,683)
Charges for services	854,238	854,238	-
Miscellaneous	3,300	5,142	1,842
Total revenues	<u>1,222,588</u>	<u>1,208,747</u>	<u>(13,841)</u>
EXPENDITURES			
Rose Garden Center:			
Salaries and benefits	86,420	93,261	(6,841)
Supplies and services	53,123	28,124	24,999
Utilities	17,551	7,895	9,656
Maintenance	23,970	23,701	269
Capital outlay	1,400	1,400	-
Total Rose Garden Center	<u>182,464</u>	<u>154,381</u>	<u>28,083</u>
Rose Garden maintenance:			
Salaries and benefits	370,638	363,237	7,401
Supplies and services	113,768	123,825	(10,057)
Utilities	57,082	77,467	(20,385)
Maintenance	72,233	78,274	(6,041)
Total Rose Garden maintenance	<u>613,721</u>	<u>642,803</u>	<u>(29,082)</u>
Visitor facilities:			
Salaries and benefits	241,424	249,920	(8,496)
Supplies and services	83,469	85,967	(2,498)
Utilities	113,887	158,028	(44,141)
Maintenance	46,001	87,061	(41,060)
Capital outlay	71,712	30,578	41,134
Total visitor facilities	<u>556,493</u>	<u>611,554</u>	<u>(55,061)</u>
Total expenditures	<u>1,352,678</u>	<u>1,408,738</u>	<u>(56,060)</u>
Deficiency of revenues under expenditures	<u>(130,090)</u>	<u>(199,991)</u>	<u>(69,901)</u>
OTHER FINANCING SOURCES			
Transfers in	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total other financing sources	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Deficiency of revenues and other financing sources under expenditures - GAAP basis	<u>\$ (30,090)</u>	<u>(99,991)</u>	<u>\$ (69,901)</u>
Fund balance - October 1, 2006		<u>56,487</u>	
Fund balance - September 30, 2007		<u>\$ (43,504)</u>	

CITY OF TYLER, TEXAS
PASSENGER FACILITY CHARGE FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenue from use of money and property	\$ 800	\$ 546	\$ (254)
Charges for services	365,000	340,972	(24,028)
Total revenues	365,800	341,518	(24,282)
OTHER FINANCING (USES)			
Transfers out:			
Half-Cent Sales Tax Fund	(243,866)	(288,601)	(44,735)
Airport Fund	(121,934)	(52,917)	69,017
Total other financing (uses)	(365,800)	(341,518)	24,282
Excess of revenues over other financing uses	\$ -	-	\$ -
Fund balance - October 1, 2006		-	
Fund balance - September 30, 2007		\$ -	

**CITY OF TYLER, TEXAS
OIL AND NATURAL GAS FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES			
Revenue from use of money and property	\$ 100,000	\$ 182,933	\$ 82,933
Miscellaneous	<u>850,000</u>	<u>421,220</u>	<u>(428,780)</u>
Total revenues	<u>950,000</u>	<u>604,153</u>	<u>(345,847)</u>
EXPENDITURES			
Culture and recreation:			
Supplies and services	<u>243,000</u>	<u>215,776</u>	<u>27,224</u>
Excess of revenues over expenditures	<u>\$ 707,000</u>	388,377	<u>\$ (318,623)</u>
Fund balance - October 1, 2006		<u>3,664,925</u>	
Fund balance - September 30, 2007		<u>\$ 4,053,302</u>	

CITY OF TYLER, TEXAS
GENERAL DEBT SERVICES FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Property tax collections	\$ 1,240,832	\$ 1,424,168	\$ 183,336
Revenue from use of money and property	104,000	190,890	86,890
Total revenues	<u>1,344,832</u>	<u>1,615,058</u>	<u>270,226</u>
EXPENDITURES			
Paying agent fees	4,000	4,000	-
Principal retirements	1,030,000	1,030,000	-
Interest and redemption	206,832	206,832	-
Total expenditures	<u>1,240,832</u>	<u>1,240,832</u>	<u>-</u>
Excess of revenues over expenditures	<u>\$ 104,000</u>	374,226	<u>\$ 270,226</u>
Fund balance - October 1, 2006		<u>2,937,710</u>	
Fund balance - September 30, 2007		<u>\$ 3,311,936</u>	

**CITY OF TYLER, TEXAS
CAPITAL PROJECTS FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenue from use of money and property	\$ 90,000	\$ 186,956	\$ 96,956
Miscellaneous	-	423,282	423,282
Total revenues	<u>90,000</u>	<u>610,238</u>	<u>520,238</u>
EXPENDITURES			
General government services	672,046	337,668	334,378
City Clerk	-	17,115	(17,115)
Police	214,103	227,308	(13,205)
Fire	499,620	485,262	14,358
Library	40,000	40,110	(110)
Parks Maintenance & Administration	757,110	386,544	370,566
Parks Indoor Recreation	15,000	15,000	-
Engineering	332,330	63,340	268,990
Traffic Operations	750,000	641,288	108,712
Municipal Court	27,500	27,500	-
Neighborhood Services	340,000	336,231	3,769
Total expenditures	<u>3,647,709</u>	<u>2,577,366</u>	<u>1,070,343</u>
Deficiency of revenues under expenditures	<u>(3,557,709)</u>	<u>(1,967,128)</u>	<u>1,590,581</u>
OTHER FINANCING (USES)			
Transfers in	<u>1,300,000</u>	<u>1,358,056</u>	<u>58,056</u>
Total other financing	<u>1,300,000</u>	<u>1,358,056</u>	<u>58,056</u>
Excess of revenues and other financing sources over expenditures	<u>\$ (2,257,709)</u>	<u>(609,072)</u>	<u>\$ 1,648,637</u>
Fund balance - October 1, 2006		<u>3,339,485</u>	
Fund balance - September 30, 2007		<u>\$ 2,730,413</u>	

CITY OF TYLER, TEXAS
CEMETERIES FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Trust Fund:			
Revenues from use of money and property	\$ 60,000	\$ 102,317	\$ 42,317
Mausoleum and lot sales	36,000	51,245	15,245
Operations:			
Revenues from use of money and property	15,000	26,651	11,651
Licenses and permits	1,500	850	(650)
Mausoleum and lot sales	10,000	5,726	(4,274)
Total revenues	<u>122,500</u>	<u>186,789</u>	<u>64,289</u>
EXPENDITURES			
Operations:			
Salaries and benefits	94,418	103,536	(9,118)
Supplies and services	29,139	29,902	(763)
Utilities	45,258	26,356	18,902
Maintenance	32,261	30,748	1,513
Capital outlay	3,000	-	3,000
Total expenditures	<u>204,076</u>	<u>190,542</u>	<u>13,534</u>
Deficiency of revenues under expenditures	<u>(81,576)</u>	<u>(3,753)</u>	<u>77,823</u>
OTHER FINANCING (USES)			
Transfers in	60,000	102,317	42,317
Transfers out	<u>(60,000)</u>	<u>(102,317)</u>	<u>(42,317)</u>
Total other financing	<u>-</u>	<u>-</u>	<u>-</u>
Deficiency of revenues and other financing sources under expenditures	<u>\$ (81,576)</u>	<u>(3,753)</u>	<u>\$ 77,823</u>
Fund balance - October 1, 2006		<u>2,726,252</u>	
Fund balance - September 30, 2007		<u>\$ 2,722,499</u>	

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

The ***Productivity Improvement Fund*** was established to track performance pay of City employees.

The ***Fleet Maintenance and Replacement Fund*** performs maintenance and repair work on vehicles of all City departments. The fund also acquires vehicles and equipment for use by all City departments.

The ***Property and Liability Insurance Fund*** accounts for the City's property, casualty, liability and workers' compensation insurance program.

The ***Employee Benefits Fund*** accounts for the City's self-insurance program for health insurance for current employees.

The ***Retiree Benefits Fund*** accounts for the City's self-insurance program for health insurance and workmen's compensation for retired employees.

The ***Property and Facility Management Fund*** was established to account for utility costs and savings under a contract with Johnson Controls.

The ***Technology Fund*** was established to account for the City's investment in technology and office automation.

CITY OF TYLER, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007

	PRODUCTIVITY IMPROVEMENT	FLEET MAINTENANCE AND REPLACEMENT	PROPERTY AND LIABILITY INSURANCE	EMPLOYEE BENEFITS	RETIREE BENEFITS	PROPERTY AND FACILITY MANAGEMENT	TECHNOLOGY	TOTAL
ASSETS								
Current assets:								
Equity in pooled cash and investments	\$ 1,407,890	\$ 1,263,616	\$ 767,879	\$ 9,202,855	\$ 1,283,078	\$ 762,451	\$ 504,490	\$ 15,192,259
Prepaid expenses	-	-	5,272	-	48,310	-	-	53,582
Accounts receivable (net)	7,956	39,718	29,628	156,126	102,108	3,095	3,412	342,043
Inventories - at average cost	-	328,567	-	-	-	-	-	328,567
Total current assets	1,415,846	1,631,901	802,779	9,358,981	1,433,496	765,546	507,902	15,916,451
Noncurrent assets:								
Capital assets:								
Land	-	65,000	-	-	-	-	-	65,000
Buildings	-	364,392	-	-	-	817,921	3,267	1,185,580
Improvements other than buildings	-	260,072	-	-	-	92,785	-	352,857
Machinery and equipment	-	16,533,520	-	-	-	8,857	5,107,508	21,649,885
Less accumulated depreciation	-	(10,638,577)	-	-	-	(364,107)	(2,795,783)	(13,798,467)
Total Capital assets (net of accumulated depreciation)	-	6,584,407	-	-	-	555,456	2,314,992	9,454,855
Total assets	1,415,846	8,216,308	802,779	9,358,981	1,433,496	1,321,002	2,822,894	25,371,306
LIABILITIES								
Current liabilities:								
Accounts and contracts payable	151	186,367	18,970	84,567	-	25,873	64,720	380,648
Insurance claims payable	-	-	-	969,196	-	-	-	969,196
Current portion of compensated absences payable	-	1,508	-	-	-	707	2,185	4,400
Current portion of capital lease	-	-	-	-	-	-	474,476	474,476
Total current liabilities	151	187,875	18,970	1,053,763	-	26,580	541,381	1,828,720
Noncurrent liabilities:								
Compensated absences payable	-	28,648	-	-	-	13,450	41,513	83,611
Capital lease payable	-	-	-	-	-	-	830,360	830,360
Total noncurrent liabilities	-	28,648	-	-	-	13,450	871,873	913,971
Total liabilities	151	216,523	18,970	1,053,763	-	40,030	1,413,254	2,742,691
NET ASSETS								
Invested in capital assets, net of related debt	-	6,584,407	-	-	-	555,456	2,314,992	9,454,855
Unrestricted	1,415,695	1,415,378	783,809	8,305,218	1,433,496	725,516	(905,352)	13,173,760
Total net assets	\$ 1,415,695	\$ 7,999,785	\$ 783,809	\$ 8,305,218	\$ 1,433,496	\$ 1,280,972	\$ 1,409,640	\$ 22,628,615

CITY OF TYLER, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	PRODUCTIVITY IMPROVEMENT	FLEET MAINTENANCE AND REPLACEMENT	PROPERTY AND LIABILITY INSURANCE	EMPLOYEE BENEFITS	RETIREE BENEFITS	PROPERTY AND FACILITY MANAGEMENT	TECHNOLOGY	TOTAL
OPERATING REVENUES								
Charges for services	\$ 713,241	\$ 3,571,346	\$ 1,830,298	\$ -	\$ -	\$ 212,394	\$ 2,705,698	\$ 9,032,977
Contributions	-	-	-	5,765,092	2,534,956	-	51,530	8,351,578
Miscellaneous	-	1,283	-	162,893	-	-	7,500	171,676
Total operating revenues	713,241	3,572,629	1,830,298	5,927,985	2,534,956	212,394	2,764,728	17,556,231
OPERATING EXPENSES								
Garage operations	-	1,258,799	-	-	-	-	-	1,258,799
Depreciation	-	1,663,238	-	-	-	11,669	693,737	2,368,644
Insurance claims	-	-	1,211,821	5,165,156	1,369,424	-	-	7,746,401
Administrative	284,673	-	-	769,548	1,188,963	192,693	2,100,106	4,535,983
Special services	574,913	-	-	28,200	16,800	-	-	619,913
Maintenance	-	-	-	-	-	154,090	-	154,090
Total operating expenses	859,586	2,922,037	1,211,821	5,962,904	2,575,187	358,452	2,793,843	16,683,830
Operating income (loss)	(146,345)	650,592	618,477	(34,919)	(40,231)	(146,058)	(29,115)	872,401
NON-OPERATING REVENUES (EXPENSES)								
Revenues from use of money and property	104,249	90,257	24,638	386,804	135,612	47,036	101,650	890,246
Gain (loss) on sale of assets	-	430,000	-	-	-	-	(791,993)	(361,993)
Interest expense	-	-	-	-	-	-	(54,477)	(54,477)
Total non-operating revenues (expenses)	104,249	520,257	24,638	386,804	135,612	47,036	(744,820)	473,776
Income (loss) before transfers	(42,096)	1,170,849	643,115	351,885	95,381	(99,022)	(773,935)	1,346,177
Transfers in	-	69,653	-	-	1,338,115	331,206	126,445	1,865,419
Transfers out	-	(626,083)	-	(1,338,115)	-	(37,351)	(13,705)	(2,015,254)
Change in net assets	(42,096)	614,419	643,115	(986,230)	1,433,496	194,833	(661,195)	1,196,342
Total Net Assets - October 1, 2006	1,457,791	7,385,366	140,694	9,291,448	-	1,086,139	2,070,835	21,432,273
Total Net Assets - September 30, 2007	\$ 1,415,695	\$ 7,999,785	\$ 783,809	\$ 8,305,218	\$ 1,433,496	\$ 1,280,972	\$ 1,409,640	\$ 22,628,615

**CITY OF TYLER, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

	PRODUCTIVITY IMPROVEMENT	FLEET MAINTENANCE AND REPLACEMENT	PROPERTY AND LIABILITY INSURANCE	EMPLOYEE BENEFITS	RETIREE BENEFITS	PROPERTY AND FACILITY MANAGEMENT	TECHNOLOGY	TOTAL (EXHIBIT 9)
CASH FLOWS FROM OPERATING ACTIVITIES								
Cash received from customers and users	\$ 707,489	\$ 3,535,970	\$ 1,801,008	\$ 5,925,589	\$ 2,432,848	\$ 211,244	\$ 2,763,731	\$ 17,377,879
Cash paid to suppliers for goods and services	-	(671,277)	-	(778,782)	(1,254,073)	(256,588)	(1,519,860)	(4,480,580)
Cash paid to employees for services	(862,067)	(514,513)	-	-	-	(89,648)	(662,230)	(2,128,458)
Insurance claims paid			(1,198,194)	(5,186,993)	(1,369,424)			(7,754,611)
Net cash provided by (used in) operating activities	(154,578)	2,350,180	602,814	(40,186)	(190,649)	(134,992)	581,641	3,014,230
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES								
Transfers in from other funds	-	69,653	-	-	1,338,115	331,206	126,445	1,865,419
Transfers out to other funds	-	(626,083)	-	(1,338,115)	-	(37,351)	(13,705)	(2,015,254)
Net cash provided by (used in) non-capital financing activities	-	(556,430)	-	(1,338,115)	1,338,115	293,855	112,740	(149,835)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Acquisition and construction of capital assets		(1,996,979)				(19,832)	(881,000)	(2,897,811)
Interest paid		586,988				-	(54,477)	(54,477)
Proceeds from sale of assets								586,988
Net cash provided by (used in) capital and related financing activities	-	(1,409,991)	-	-	-	(19,832)	(935,477)	(2,365,300)
CASH FLOWS FROM INVESTING ACTIVITIES								
Interest and dividends on investments	104,249	90,257	24,638	386,804	135,612	47,036	101,650	890,246
Net cash provided by investing activities	104,249	90,257	24,638	386,804	135,612	47,036	101,650	890,246
Net increase (decrease) in cash and cash equivalents	(50,329)	474,016	627,452	(991,497)	1,283,078	186,067	(139,446)	1,389,341
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,458,219	789,600	140,427	10,194,352	-	576,384	643,936	13,802,918
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,407,890	\$ 1,263,616	\$ 767,879	\$ 9,202,855	\$ 1,283,078	\$ 762,451	\$ 504,490	\$ 15,192,259

(continued)

CITY OF TYLER, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

**Reconciliation of Operating Income to Net Cash
Provided by (Used in) Operating Activities**

	PRODUCTIVITY IMPROVEMENT	FLEET MAINTENANCE AND REPLACEMENT	PROPERTY AND LIABILITY INSURANCE	EMPLOYEE BENEFITS	RETIREE BENEFITS	PROPERTY AND FACILITY MANAGEMENT	TECHNOLOGY	TOTAL (EXHIBIT 9)
Operating income (loss)	\$ (146,345)	\$ 650,592	\$ 618,477	\$ (34,919)	\$ (40,231)	\$ (146,058)	\$ (29,115)	\$ 872,401
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Depreciation expense	-	1,663,238	-	-	-	11,669	693,737	2,368,644
(Increase) decrease in accounts receivable	(5,752)	(36,659)	(29,290)	(2,396)	(102,108)	(1,150)	(997)	(178,352)
(Increase) decrease in prepaid expenses	-	-	(5,272)	-	(48,310)	-	-	(53,582)
(Increase) decrease in inventories	-	(57,268)	-	-	-	-	-	(57,268)
Increase (decrease) in accounts payable	(2,481)	126,370	18,899	18,966	-	1,416	(87,244)	75,926
Increase (decrease) in claims payable	-	-	-	(21,837)	-	-	-	(21,837)
Increase (decrease) in compensated absences payable	-	3,907	-	-	-	(869)	5,260	8,298
Total adjustments	(8,233)	1,699,588	(15,663)	(5,267)	(150,418)	11,066	610,756	2,141,829
Net cash (used in) provided by operating activities	\$ (154,578)	\$ 2,350,180	\$ 602,814	\$ (40,186)	\$ (190,649)	\$ (134,992)	\$ 581,641	\$ 3,014,230
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:								
Borrowing under capital lease	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 923,250	\$ 923,250

**CITY OF TYLER, TEXAS
PRODUCTIVITY IMPROVEMENT FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenues from use of money and property	\$ 85,000	\$ 104,249	\$ 19,249
Intergovernmental revenue	757,000	713,241	(43,759)
TOTAL REVENUES - BUDGET AND GAAP	<u>\$ 842,000</u>	<u>\$ 817,490</u>	<u>\$ (24,510)</u>
EXPENSES			
Salaries and benefits	\$ 316,411	\$ 284,673	\$ 31,738
Special services	663,575	574,913	88,662
TOTAL EXPENSES - BUDGET AND GAAP BASIS	<u>\$ 979,986</u>	<u>\$ 859,586</u>	<u>\$ 120,400</u>

**CITY OF TYLER, TEXAS
FLEET MAINTENANCE AND REPLACEMENT FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenues from use of money and property	\$ 82,000	\$ 90,257	\$ 8,257
Current service charges	2,969,656	3,571,346	601,690
Miscellaneous	-	1,283	1,283
Sale of assets	151,000	586,988	435,988
TOTAL REVENUES - BUDGET BASIS	\$ 3,202,656	4,249,874	\$ 1,047,218
Financial statement adjustments:			
Transfer in		69,653	
Retirement of assets sold		(156,988)	
TOTAL REVENUES - GAAP BASIS		\$ 4,162,539	
EXPENSES			
Garage administration and operations:			
Salaries and benefits	\$ 699,820	\$ 514,513	\$ 185,307
Supplies and services	209,652	692,310	(482,658)
Utilities	2,135	1,678	457
Maintenance	71,152	50,298	20,854
Capital outlay	2,610,625	2,258,170	352,455
Total garage administration	3,593,384	3,516,969	76,415
TOTAL EXPENSES - BUDGET BASIS	\$ 3,593,384	3,516,969	\$ 76,415
Financial statement adjustments:			
Transfer out		626,083	
Capital outlay items not expensed		(2,258,170)	
Depreciation expense		1,663,238	
TOTAL EXPENSES - GAAP BASIS		\$ 3,548,120	

**CITY OF TYLER, TEXAS
PROPERTY AND LIABILITY INSURANCE FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenues from use of money and property	\$ 6,000	\$ 24,638	\$ 18,638
Intergovernmental revenue	1,727,531	1,830,298	102,767
TOTAL REVENUES - BUDGET AND GAAP	<u>\$ 1,733,531</u>	<u>\$ 1,854,936</u>	<u>\$ 121,405</u>
EXPENSES			
Claims and premiums	\$ 1,397,000	\$ 1,211,821	\$ 185,179
TOTAL EXPENSES - BUDGET AND GAAP BASIS	<u>\$ 1,397,000</u>	<u>\$ 1,211,821</u>	<u>\$ 185,179</u>

**CITY OF TYLER, TEXAS
EMPLOYEE BENEFITS FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenues from use of money and property	\$ 164,388	\$ 386,804	\$ 222,416
Contributions from City of Tyler	6,135,392	4,260,201	(1,875,191)
Contributions from employees	2,011,322	1,504,891	(506,431)
Miscellaneous	-	162,893	162,893
Total revenues	<u>8,311,102</u>	<u>6,314,789</u>	<u>(1,996,313)</u>
TOTAL REVENUES - BUDGET AND GAAP	<u><u>\$ 8,311,102</u></u>	<u><u>\$ 6,314,789</u></u>	<u><u>\$ (1,996,313)</u></u>
EXPENSES			
Employee insurance fund administration:			
Special services	\$ 28,200	\$ 28,200	\$ -
Claims	4,610,469	5,007,471	(397,002)
Administrative fees	2,134,419	769,548	1,364,871
Life insurance	170,500	157,685	12,815
Total employee insurance fund administration	<u>6,943,588</u>	<u>5,962,904</u>	<u>980,684</u>
TOTAL EXPENSES - BUDGET BASIS	<u><u>\$ 6,943,588</u></u>	<u><u>5,962,904</u></u>	<u><u>\$ 980,684</u></u>
Financial statement adjustments:			
Transfer out		<u>1,338,115</u>	
TOTAL EXPENSES - GAAP BASIS		<u><u>\$ 7,301,019</u></u>	

**CITY OF TYLER, TEXAS
RETIREE BENEFITS FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenues from use of money and property	\$ 135,612	\$ 135,612	\$ -
Contributions from City of Tyler	1,870,548	1,870,548	-
Contributions from employees	578,524	664,408	85,884
Total revenues	<u>2,584,684</u>	<u>2,670,568</u>	<u>85,884</u>
TOTAL REVENUES - BUDGET BASIS	<u><u>\$ 2,584,684</u></u>	<u>2,670,568</u>	<u><u>\$ 85,884</u></u>
Financial statement adjustments:			
Transfer in		<u>1,338,115</u>	
TOTAL REVENUES - GAAP BASIS		<u><u>\$ 4,008,683</u></u>	
EXPENSES			
Employee insurance fund administration:			
Special services	\$ 16,800	\$ 16,800	\$ -
Claims	1,319,924	1,319,924	-
Administrative fees	1,271,763	1,188,963	82,800
Life insurance	49,500	49,500	-
Total employee insurance fund administration	<u>2,657,987</u>	<u>2,575,187</u>	<u>82,800</u>
TOTAL EXPENSES - BUDGET AND GAAP BASIS	<u><u>\$ 2,657,987</u></u>	<u><u>\$ 2,575,187</u></u>	<u><u>\$ 82,800</u></u>

CITY OF TYLER, TEXAS
PROPERTY AND FACILITY MANAGEMENT FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Revenues from use of money and property	\$ 20,000	\$ 47,036	\$ 27,036
Charges for services	212,999	212,394	(605)
Total revenues	232,999	259,430	26,431
TOTAL REVENUES - BUDGET BASIS	\$ 232,999	259,430	\$ 26,431
Financial statement adjustments:			
Transfer in		331,206	
TOTAL REVENUES - GAAP BASIS		\$ 590,636	
EXPENSES			
Property and facility administration:			
Salaries and benefits	\$ 85,384	\$ 89,648	\$ (4,264)
Supplies and services	113,184	73,393	39,791
Utilities	960	1,134	(174)
Maintenance	140,316	182,608	(42,292)
Capital outlay	10,000	19,832	(9,832)
Total property and facility administration	349,844	366,615	(16,771)
TOTAL EXPENSES - BUDGET BASIS	\$ 349,844	366,615	\$ (16,771)
Financial statement adjustments:			
Transfer out		37,351	
Capital outlay items not expensed		(19,832)	
Depreciation expense		11,669	
TOTAL EXPENSES - GAAP BASIS		\$ 395,803	

**CITY OF TYLER, TEXAS
TECHNOLOGY FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES			
Revenues from use of money and property	\$ 46,000	\$ 101,650	\$ 55,650
Charges for services	2,703,964	2,705,698	1,734
Contributions	-	51,530	51,530
Miscellaneous	-	7,500	7,500
	<u> </u>	<u> </u>	<u> </u>
TOTAL REVENUES - BUDGET BASIS	<u><u>\$ 2,749,964</u></u>	<u>2,866,378</u>	<u><u>\$ 116,414</u></u>
Financial statement adjustments:			
Transfer in		<u>126,445</u>	
TOTAL REVENUES - GAAP BASIS		<u><u>\$ 2,992,823</u></u>	
EXPENSES			
Office technology fund administration:			
Salaries and benefits	\$ 698,954	\$ 662,230	\$ 36,724
Supplies and services	75,374	53,108	22,266
Utilities	5,500	4,983	517
Maintenance	5,472	7,491	(2,019)
	<u> </u>	<u> </u>	<u> </u>
Total office technology fund administration	<u>785,300</u>	<u>727,812</u>	<u>57,488</u>
Office technology services:			
Supplies and services	771,617	537,892	233,725
Utilities	199,518	203,056	(3,538)
Maintenance	627,480	631,346	(3,866)
Capital outlay	484,949	474,149	10,800
	<u> </u>	<u> </u>	<u> </u>
Total office technology services	<u>2,083,564</u>	<u>1,846,443</u>	<u>237,121</u>
	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENSES - BUDGET BASIS	<u><u>\$ 2,868,864</u></u>	<u>2,574,255</u>	<u><u>\$ 294,609</u></u>
Financial statement adjustments:			
Transfer out		13,705	
Capital outlay items not expensed		(474,149)	
Retirement of assets		791,993	
Interest		54,477	
Depreciation		<u>693,737</u>	
TOTAL EXPENSES - GAAP BASIS		<u><u>\$ 3,654,018</u></u>	

DETAILED BUDGETARY COMPARISONS

The following schedules are additional supplementary information for the General Fund and each Enterprise Fund.

**CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
PROPERTY TAX COLLECTIONS			
Current taxes	\$ 10,865,900	\$ 10,830,161	\$ (35,739)
Delinquent taxes	122,400	163,120	40,720
Penalty and interest	142,100	162,996	20,896
Tax collection fee	57,400	59,182	1,782
Total property tax collections	<u>11,187,800</u>	<u>11,215,459</u>	<u>27,659</u>
FRANCHISE FEES			
Franchise - light and power	3,950,600	4,054,123	103,523
Franchise - natural gas	950,000	883,418	(66,582)
Franchise - telephone	750,400	955,286	204,886
Franchise - cable television	784,900	971,039	186,139
Franchise - street use fee	298,600	341,982	43,382
Franchise - water and sewer	1,264,138	1,077,629	(186,509)
Total franchise fees	<u>7,998,638</u>	<u>8,283,477</u>	<u>284,839</u>
SALES AND USE TAXES			
General sales tax	22,574,580	23,154,848	580,268
Mixed drink tax	253,840	289,426	35,586
Bingo tax	35,200	25,592	(9,608)
Total sales and use taxes	<u>22,863,620</u>	<u>23,469,866</u>	<u>606,246</u>
LICENSES AND PERMITS			
Parking meter	107,800	108,658	858
Wrecker	300	-	(300)
Taxicab and limousine	200	270	70
Burglar alarm	55,200	56,853	1,653
Total licenses and permits	<u>163,500</u>	<u>165,781</u>	<u>2,281</u>
FINES, FORFEITURES, AND PENALTIES			
Moving violation fines	2,775,088	3,079,649	304,561
Library fines and rents	-	(312)	(312)
Tax service fees on fines	170,000	170,895	895
Arrest fee fines	145,000	155,747	10,747
Municipal court administrative fees	95,700	95,581	(119)
Warrant fees	475,000	780,106	305,106
Child safety fees	45,000	56,552	11,552
Teen court fees	2,800	730	(2,070)
Municipal court security	123,200	134,244	11,044
Miscellaneous municipal court fines	17,500	32,000	14,500
Court time payment fee	117,700	182,919	65,219
Special court fees	525,000	566,855	41,855
Collection firm fee	196,744	223,207	26,463
Court fee - Clearing	100	22,486	22,386
Partners for youth program	90,818	97,483	6,665
Total fines, forfeitures, and penalties	<u>4,779,650</u>	<u>5,598,142</u>	<u>818,492</u>

(Continued)

**CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES FROM USE OF MONEY OR PROPERTY			
Rent - miscellaneous	26,800	42,168	15,368
Distributed interest	276,000	361,907	85,907
Total revenues from use of money or property	<u>302,800</u>	<u>404,075</u>	<u>101,275</u>
CHARGES FOR CURRENT SERVICES			
Swimming pool admissions	9,500	4,876	(4,624)
Fire inspection fees	9,700	21,795	12,095
Lot mowing	10,200	25,662	15,462
Glass membership fees	48,500	50,979	2,479
Copying fees	14,000	12,932	(1,068)
Open records	20,200	33,571	13,371
Participant fees	153,700	162,144	8,444
Field rental	24,200	24,310	110
Sports field maintenance	9,600	8,190	(1,410)
False alarm fees	100	1,440	1,340
Half cent administration costs	31,200	31,200	-
Library	6,000	37,073	31,073
Total charges for current services	<u>336,900</u>	<u>414,172</u>	<u>77,272</u>
INTERGOVERNMENTAL REVENUES			
Reimbursement of overhead from water and sewer operating fund	574,000	574,000	-
Reimbursement of overhead from sanitation fund	181,670	181,670	-
Total intergovernmental revenues	<u>755,670</u>	<u>755,670</u>	<u>-</u>
REVENUES FROM OTHER AGENCIES			
State government	14,200	21,382	7,182
County hazardous material service	5,000	5,000	-
Prior year restitution income	-	384	384
DEA Project reimbursement	24,000	55,401	31,401
Auto theft task force grant	60,300	64,827	4,527
Bullet proof vest grant	-	7,125	7,125
Safe and Sober Grant	-	39,953	39,953
Click it or ticket grant	-	10,843	10,843
School crossing guards	125,000	125,000	-
Total revenues from other agencies	<u>228,500</u>	<u>329,915</u>	<u>101,415</u>

(Continued)

CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
MISCELLANEOUS			
Contribution for construction	-	1,080	1,080
Miscellaneous charges	141,258	117,031	(24,227)
Unclaimed property revenue	12,100	16,470	4,370
Returned check fees	2,000	2,460	460
Junked vehicle	-	1,010	1,010
Total miscellaneous	<u>155,358</u>	<u>138,051</u>	<u>(17,307)</u>
Total revenues before other financing sources	<u>48,772,436</u>	<u>50,774,608</u>	<u>2,002,172</u>
OTHER FINANCING SOURCES			
Sale of equipment	<u>3,500</u>	<u>7,975</u>	<u>4,475</u>
Total other financing sources	<u>3,500</u>	<u>7,975</u>	<u>4,475</u>
TOTAL REVENUES	<u>\$ 48,775,936</u>	<u>\$ 50,782,583</u>	<u>\$ 2,006,647</u>

**CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
GENERAL GOVERNMENT			
GENERAL GOVERNMENT SERVICES:			
Salaries and benefits	\$ 1,943,907	\$ 1,935,602	\$ 8,305
Supplies and services	2,939,482	2,851,700	87,782
Utilities	66,841	78,015	(11,174)
Maintenance	3,935	6,918	(2,983)
Total general government services	<u>4,954,165</u>	<u>4,872,235</u>	<u>81,930</u>
LEGAL:			
Salaries and benefits	411,378	424,760	(13,382)
Supplies and services	149,838	136,620	13,218
Utilities	486	457	29
Capital outlay	7,062	6,198	864
Total legal	<u>568,764</u>	<u>568,035</u>	<u>729</u>
ADMINISTRATIVE SERVICES:			
Salaries and benefits	798,199	798,592	(393)
Supplies and services	351,465	336,405	15,060
Utilities	1,084	696	388
Total administrative services	<u>1,150,748</u>	<u>1,135,693</u>	<u>15,055</u>
Total general government	<u>6,673,677</u>	<u>6,575,963</u>	<u>97,714</u>
PUBLIC SAFETY			
POLICE:			
Salaries and benefits	16,404,668	16,435,779	(31,111)
Supplies and services	1,439,345	1,383,341	56,004
Utilities	196,697	219,811	(23,114)
Maintenance	956,550	924,650	31,900
Capital outlay	1,000	-	1,000
Total police	<u>18,998,260</u>	<u>18,963,581</u>	<u>34,679</u>
FIRE:			
Salaries and benefits	9,824,807	9,805,290	19,517
Supplies and services	573,313	542,576	30,737
Utilities	121,458	125,454	(3,996)
Maintenance	255,283	293,904	(38,621)
Capital outlay	12,000	84,472	(72,472)
Total fire	<u>10,786,861</u>	<u>10,851,696</u>	<u>(64,835)</u>

(Continued)

**CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET and ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
PUBLIC SAFETY (cont'd)			
PARTNERS WITH YOUTH PROGRAM:			
Salaries and benefits	90,818	55,925	34,893
Supplies and services	-	46,089	(46,089)
Total partners with youth program	<u>90,818</u>	<u>102,014</u>	<u>(11,196)</u>
MUNICIPAL COURT:			
Salaries and benefits	865,787	682,804	182,983
Supplies and services	758,224	1,004,022	(245,798)
Utilities	13,698	15,868	(2,170)
Maintenance	27,627	36,457	(8,830)
Capital outlay	2,778	15,744	(12,966)
Total municipal court	<u>1,668,114</u>	<u>1,754,895</u>	<u>(86,781)</u>
Total public safety	<u>31,544,053</u>	<u>31,672,186</u>	<u>(128,133)</u>
PUBLIC SERVICES			
ENVIRONMENTAL SERVICES:			
Salaries and benefits	350,590	287,527	63,063
Supplies and services	75,555	79,871	(4,316)
Utilities	655	1,642	(987)
Maintenance	102,686	81,221	21,465
Total environmental services	<u>529,486</u>	<u>450,261</u>	<u>79,225</u>
LIBRARY:			
Salaries and benefits	1,016,683	941,600	75,083
Supplies and services	188,824	232,866	(44,042)
Utilities	75,960	82,870	(6,910)
Maintenance	35,540	37,223	(1,683)
Capital outlay	127,000	125,740	1,260
Total library	<u>1,444,007</u>	<u>1,420,299</u>	<u>23,708</u>
Total public services	<u>1,973,493</u>	<u>1,870,560</u>	<u>102,933</u>

(Continued)

**CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET and ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
HIGHWAYS AND STREETS			
ENGINEERING:			
Salaries and benefits	1,652,328	1,361,585	290,743
Supplies and services	298,949	313,192	(14,243)
Utilities	7,070	7,616	(546)
Maintenance	647,721	613,809	33,912
Total engineering	<u>2,606,068</u>	<u>2,296,202</u>	<u>309,866</u>
TRAFFIC OPERATIONS:			
Salaries and benefits	704,787	641,888	62,899
Supplies and services	191,060	147,538	43,522
Utilities	1,305,671	1,346,468	(40,797)
Maintenance	169,392	180,832	(11,440)
Capital outlay	26,997	27,566	(569)
Total traffic operations	<u>2,397,907</u>	<u>2,344,292</u>	<u>53,615</u>
CAPITAL PROJECTS:			
Salaries and benefits	111,866	111,815	51
Supplies and services	8,654	8,224	430
Utilities	400	524	(124)
Total capital projects	<u>120,920</u>	<u>120,563</u>	<u>357</u>
Total highways and streets	<u>5,124,895</u>	<u>4,761,057</u>	<u>363,838</u>
CULTURE AND RECREATION			
PARKS ADMINISTRATION:			
Salaries and benefits	798,063	775,844	22,219
Supplies and services	325,005	357,747	(32,742)
Utilities	566,389	576,411	(10,022)
Maintenance	466,571	453,925	12,646
Capital outlay	-	5,715	(5,715)
Total parks administration	<u>2,156,028</u>	<u>2,169,642</u>	<u>(13,614)</u>
INDOOR RECREATION:			
Salaries and benefits	334,523	309,883	24,640
Supplies and services	40,584	63,673	(23,089)
Utilities	1,136	970	166
Maintenance	14,300	14,656	(356)
Total indoor recreation	<u>390,543</u>	<u>389,182</u>	<u>1,361</u>

(Continued)

**CITY OF TYLER, TEXAS
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET and ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
CULTURE AND RECREATION (cont'd)			
OUTDOOR RECREATION:			
Salaries and benefits	137,073	55,774	81,299
Supplies and services	301,600	370,295	(68,695)
Utilities	200	683	(483)
Maintenance	1,500	(5,651)	7,151
Capital outlay	-	18,275	(18,275)
Total outdoor recreation	<u>440,373</u>	<u>439,376</u>	<u>997</u>
MEDIAN MAINTENANCE AND ARBORIST:			
Supplies and services	-	826	(826)
Total median maintenance and arborist	<u>-</u>	<u>826</u>	<u>(826)</u>
Total culture and recreation	<u>2,986,944</u>	<u>2,999,026</u>	<u>(12,082)</u>
OTHER FINANCING USES			
Transfer to special revenue	1,927,750	1,956,723	(28,973)
Transfer to enterprise	27,658	27,658	-
Transfer to internal service	131,206	165,859	(34,653)
Total other financing uses	<u>2,086,614</u>	<u>2,150,240</u>	<u>(63,626)</u>
TOTAL EXPENDITURES	<u>\$ 50,389,676</u>	<u>\$ 50,029,032</u>	<u>\$ 360,644</u>

**CITY OF TYLER, TEXAS
UTILITIES FUND
DETAILED SCHEDULE OF REVENUES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES			
Revenues from use of money or property	\$ 394,700	\$ 629,326	\$ 234,626
Charges for current services	26,186,200	23,728,436	(2,457,764)
Miscellaneous income	<u>255,200</u>	<u>339,800</u>	<u>84,600</u>
TOTAL REVENUES BUDGET BASIS	<u>\$ 26,836,100</u>	24,697,562	<u>\$ (2,138,538)</u>
Financial Statement Adjustments:			
Transfers in		<u>12,325,337</u>	
TOTAL REVENUES GAAP BASIS		<u>\$ 37,022,899</u>	

**CITY OF TYLER, TEXAS
UTILITIES FUND
DETAILED SCHEDULE OF EXPENSES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
WATER ADMINISTRATION AND SUNDRY			
Salaries and benefits			\$ -
Supplies and services	586,492	605,446	(18,954)
Utilities	6,301,718	3,410,724	2,890,994
Maintenance	11,868	13,066	(1,198)
Capital outlay	16,000	13,000	3,000
Total water administration and sundry	<u>6,916,078</u>	<u>4,042,236</u>	<u>2,873,842</u>
WATER OFFICE			
Salaries and benefits	549,474	587,513	(38,039)
Supplies and services	401,043	419,100	(18,057)
Utilities	174	110	64
Maintenance	37,610	30,801	6,809
Capital outlay	28,500	-	28,500
Total water office	<u>1,016,801</u>	<u>1,037,524</u>	<u>(20,723)</u>
WATER DISTRIBUTION			
Salaries and benefits	932,973	763,610	169,363
Supplies and services	121,015	317,446	(196,431)
Utilities	23,027	17,335	5,692
Maintenance	256,776	326,480	(69,704)
Capital outlay	1,037,901	-	1,037,901
Total water distribution	<u>2,371,692</u>	<u>1,424,871</u>	<u>946,821</u>
WATER PLANT			
Salaries and benefits	1,053,560	1,093,102	(39,542)
Supplies and services	1,073,043	1,046,381	26,662
Utilities	2,447,453	2,238,586	208,867
Maintenance	220,405	156,747	63,658
Capital outlay	1,616,423	-	1,616,423
Total water plant	<u>6,410,884</u>	<u>4,534,816</u>	<u>1,876,068</u>

(Continued)

**CITY OF TYLER, TEXAS
UTILITIES FUND
DETAILED SCHEDULE OF EXPENSES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
WASTE COLLECTION			
Salaries and benefits	622,609	432,306	190,303
Supplies and services	127,418	395,563	(268,145)
Utilities	1,734	1,781	(47)
Maintenance	423,448	431,893	(8,445)
Capital outlay	436,000	-	436,000
	<u>1,611,209</u>	<u>1,261,543</u>	<u>349,666</u>
WASTE TREATMENT PLANT			
Salaries and benefits	1,225,556	1,072,081	153,475
Supplies and services	2,401,523	1,758,585	642,938
Utilities	948,626	991,430	(42,804)
Maintenance	194,254	145,477	48,777
Capital outlay	619,587	-	619,587
	<u>5,389,546</u>	<u>3,967,573</u>	<u>1,421,973</u>
LAKE TYLER			
Salaries and benefits	401,783	403,386	(1,603)
Supplies and services	311,609	416,204	(104,595)
Utilities	20,878	18,796	2,082
Maintenance	312,484	77,584	234,900
Capital outlay	194,000	-	194,000
	<u>1,240,754</u>	<u>915,970</u>	<u>324,784</u>
STORM WATER MANAGEMENT			
Salaries and benefits	512,835	378,071	134,764
Supplies and services	176,525	181,219	(4,694)
Maintenance	284,436	262,370	22,066
Capital outlay	781,850	-	781,850
	<u>1,755,646</u>	<u>821,660</u>	<u>933,986</u>
TOTAL EXPENSES AND TRANSFERS - BUDGET BASIS			
	<u>\$ 26,712,610</u>	<u>18,006,193</u>	<u>\$ 8,706,417</u>
Financial statement adjustments:			
Capital outlay items not expensed		-	
Transfers out		12,459,614	
Amortization		89,412	
Interest expense		2,614,549	
Depreciation expense		6,747,452	
		<u>21,911,027</u>	
TOTAL EXPENSES AND TRANSFERS - GAAP BASIS			
		<u>\$ 39,917,220</u>	

**CITY OF TYLER, TEXAS
SANITATION FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES			
Franchise fees	\$ 443,000	\$ 498,982	\$ 55,982
Revenue from use of money or property	212,000	338,797	126,797
Charges for current services	8,099,000	8,715,001	616,001
Miscellaneous revenues	<u>140,000</u>	<u>56,083</u>	<u>(83,917)</u>
TOTAL REVENUES - BUDGET BASIS	<u>\$ 8,894,000</u>	9,608,863	<u>\$ 714,863</u>
Financial statement adjustments:			
Transfers in		7,789,545	
Sale of property		<u>59,783</u>	
TOTAL REVENUES - GAAP BASIS		<u>\$ 17,458,191</u>	
EXPENSES			
Solid waste administration:			
Salaries and benefits	\$ 668,958	\$ 621,710	\$ 47,248
Supplies and services	1,420,403	854,811	565,592
Utilities	5,023	4,473	550
Maintenance	10,026	9,019	1,007
Capital outlay	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total solid waste administration	<u>2,124,410</u>	<u>1,490,013</u>	<u>634,397</u>
Residential collections:			
Salaries and benefits	1,086,953	1,019,556	67,397
Supplies and services	1,996,820	2,064,723	(67,903)
Utilities	2,156	2,059	97
Maintenance	975,676	1,189,295	(213,619)
Capital outlay	<u>1,736,891</u>	<u>-</u>	<u>1,736,891</u>
Total residential collections	<u>5,798,496</u>	<u>4,275,633</u>	<u>1,522,863</u>
Commercial collections:			
Salaries and benefits	537,514	613,772	(76,258)
Supplies and services	1,651,817	1,793,556	(141,739)
Utilities	1,500	1,043	457
Maintenance	296,924	382,685	(85,761)
Capital outlay	<u>390,441</u>	<u>-</u>	<u>390,441</u>
Total commercial collections	<u>2,878,196</u>	<u>2,791,056</u>	<u>87,140</u>
Litter control:			
Supplies and services	<u>151,725</u>	<u>109,368</u>	<u>42,357</u>
Total litter control	<u>151,725</u>	<u>109,368</u>	<u>42,357</u>

(Continued)

**CITY OF TYLER, TEXAS
SANITATION FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
Maintenance complex:			
Supplies and services	51,028	31,984	19,044
Utilities	84,180	74,175	10,005
Maintenance	<u>43,500</u>	<u>29,204</u>	<u>14,296</u>
Total maintenance complex	<u>178,708</u>	<u>135,363</u>	<u>43,345</u>
 TOTAL EXPENSES - BUDGET BASIS	 <u><u>\$ 11,131,535</u></u>	 8,801,433	 <u><u>\$ 2,330,102</u></u>
Financial statement adjustments:			
Transfers out		7,103,530	
Capital outlay items not expensed		-	
Depreciation expense		<u>570,039</u>	
 TOTAL EXPENSES - GAAP BASIS		 <u><u>\$ 16,475,002</u></u>	

CITY OF TYLER, TEXAS
AIRPORT FUND
DETAILED SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Airport services	\$ 994,710	\$ 1,070,492	\$ 75,782
Revenue from use of money or property	14,000	32,719	18,719
Income from other agencies	-	4,395,723	4,395,723
Miscellaneous revenues	19,065	30,297	11,232
Total Revenues	1,027,775	5,529,231	4,501,456
Transfers in	121,934	4,742,623	4,620,689
TOTAL REVENUES - BUDGET AND GAAP BASIS	\$ 1,149,709	\$ 10,271,854	\$ 9,122,145
EXPENSES			
Municipal airport operations:			
Salaries and benefits	\$ 453,102	\$ 415,953	\$ 37,149
Supplies and services	358,560	351,683	6,877
Utilities	245,716	240,051	5,665
Maintenance	134,586	86,886	47,700
Capital outlay	4,885,018	-	4,885,018
Total municipal airport operations	6,076,982	1,094,573	4,982,409
Transfers out	30,000	4,554,650	(4,524,650)
TOTAL EXPENSES AND TRANSFERS - BUDGET BASIS	\$ 6,106,982	5,649,223	\$ 457,759
Financial statement adjustments:			
Capital outlay items not expensed		-	
Depreciation expense		808,017	
TOTAL EXPENSES AND TRANSFERS - GAAP BASIS		\$ 6,457,240	

SINGLE AUDIT SECTION

**CITY OF TYLER, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS - THROUGH GRANTORS NUMBER	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Community Development Block Grant Entitlement Grants:	14.218	B04MC480028	<u>1,059,360</u>
Section 8 Housing Choice Voucher Program	14.871	TX456VO	<u>5,911,960</u>
Disaster Voucher Program	14.DVP	TX456VO	<u>254,319</u>
Disaster Housing Assistance Program	97.109	TX456VO	<u>3,871</u>
HOME Investment Partnerships Program	14.239	-	<u>966,158</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 8,195,668</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through Federal Aviation Administration:			
Airport Improvement Program	20.106	3(48-0215-18)04	-
Airport Improvement Program	20.106	3(48-0215-19)04	639,630
Airport Improvement Program	20.106	3(48-0215-20)06	3,269,532
Airport Improvement Program	20.106	3(48-0215-22)07	<u>627,330</u>
Total Airport Improvement Program:			4,536,492
Passed Through Federal Transit Administration:			
Federal Transit Capital and Operating Assistance Formula	20.507	TX90591	23,278
	20.507	TX90626	105,434
	20.507	TX90670	74,288
	20.507	TX90742	563,146
	20.507	TX90743	<u>753,809</u>
Total Federal Transit Capital and Operating:			1,519,955
Job Access Reverse Commute Grant	20.516	TX374042	<u>197,283</u>
Passed Through Texas Department of Highways and Public Transportation:			
Federal Transit Capital Investment Grants	20.500	51610F7233	<u>66,059</u>
Section 104F Grant MPO	20.505	-	<u>241,562</u>
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	51510F7215	<u>127,456</u>
State and Community Highway Safety	20.600	586XXF6185	<u>10,843</u>
State and Community Highway Safety	20.600	585XX6017	<u>62,544</u>
Recreational Trails Program (Tyler Pedestrian & Bike Trail)	20.219	-	<u>106,447</u>
Total U.S. Department of Transportation			<u>\$ 6,868,641</u>

(continued)

**CITY OF TYLER, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS - THROUGH GRANTORS NUMBER	FEDERAL EXPENDITURES
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Edward Byrne Memorial Formula Grant	16.579	-	<u>57,022</u>
Edward Byrne Memorial Justice Assistance Grant	16.738	2006-DJ-DX-0462	<u>-</u>
Edward Byrne Memorial Justice Assistance Grant	16.738	2007-DJ-DX-0462	<u>-</u>
 Bulletproof Vest Partnership	 16.607		 <u>14,250</u>
 Total U.S. Department of Justice			 <u>\$ 71,272</u>
<u>DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through Transportation Security Administration			
2005 State Homeland Security Program (SHSP)	97.073		<u>161,574</u>
2006 State Homeland Security Program (SHSP)	97.073		<u>48,353</u>
Passed Through Transportation Security Administration:			
Law Enforcement Officer Reimbursement Agreement	97.090	DTSA20-03-P-01627	<u>97,054</u>
2005 Assistance to Firefighters Program:	97.044		<u>65,602</u>
 Total U.S. Department of Homeland Security			 <u>\$ 372,583</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Passed Through Texas Historical Commission:			
Historic Preservation Fund Grants in Aid	15.904	48-02-17574-026	<u>5,115</u>
 Total U.S. Department of Interior			 <u>\$ 5,115</u>
 TOTAL FEDERAL ASSISTANCE			 <u>\$ 15,513,279</u>

CITY OF TYLER, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Tyler, Texas and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

**CITY OF TYLER, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE PERIOD ENDED SEPTEMBER 30, 2007**

<u>STATE GRANTOR</u>	<u>STATE NUMBER</u>	<u>STATE EXPENDITURES</u>
<u>TEXAS DEPARTMENT OF TRANSPORTATION</u>		
Public Transportation Grant	51610F7066	274,598
Public Transportation Grant	51710F7066	31,729
		<hr/>
Total Texas Department of Transportation		\$ 306,327
		<hr/> <hr/>
<u>TEXAS CRIMINAL JUSTICE DIVISION</u>		
East Texas Auto Theft Task Force	-	105,454
		<hr/>
Total Texas Criminal Justice Division		\$ 105,454
		<hr/> <hr/>
<u>TEXAS STATE LIBRARY AND ARCHIVES COMMISSION</u>		
Gates Public Access Computer Hardware Upgrade Grant "PAC HUG"	434-07274	771
Loan Star Library Grant	442-06487	5,482
		<hr/>
Total Texas State Library and Archives Commission		\$ 6,253
		<hr/> <hr/>
<u>TEXAS WATER DEVELOPMENT BOARD</u>		
Research and Planning Fund	2004-483-527	105,706
		<hr/>
Total Texas Water Development Board		\$ 105,706
		<hr/> <hr/>
TOTAL STATE ASSISTANCE		\$ 523,740
		<hr/> <hr/>

CITY OF TYLER, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

NOTE – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of state awards includes the state grant activity of the City of Tyler, Texas and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the State of Texas Uniform Grant Management Standards Chapter IV “Texas State Single Audit Circular”. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

**CITY OF TYLER, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2007**

FINANCIAL STATEMENT FINDINGS

Finding 2006-1: Reconciliation of Grant Activity

Condition: The City hired an independent external accountant to reconcile the activity of the City's governmental grants for the fiscal year ended September 30, 2006. As a result of this work, numerous journal entries were made to correct the transactions of several grants. These adjustments related to corrections of expense classifications, accruals and deferrals of grant revenue, and the City's matching requirements.

Recommendation: The financial activity of each federal and state grant should be reconciled on a monthly basis. This process should include a reconciliation of draw down requests (revenues), expenditures, grants receivable, and deferred revenue to the grants' Financial Status Reports, where applicable. The monthly reconciliation procedures should be performed by an accountant in the finance department with the assistance of the departmental grant managers. Supervisory personnel should hold the accountant and grant managers accountable by performing and documenting their supervisory review of the monthly reconciliations. We were advised that there is a current staff accountant vacancy in the finance department. Consideration should be given to filling this vacancy by hiring an accountant experienced in "grant" accounting or hiring an accountant and sending them to specialized training in grant accounting.

Current Status: The reconciliations are being completed for each month comparing financial records in the general ledger revenue, expense and balance sheet accounts to the information provided by the grant managers. The reconciliations are reviewed by the Accounting Manager or CFO and distributed to the grant managers. Grant managers are responsible for reviewing the information provided and verifying that the revenue and expenses are accurate and eligible for the grant. The forms are signed and returned to accounting to be filed. If because of staffing constraints there is a delay in completing the reconciliations, the responsible accountant will update the information on a month by month basis to ensure accurate data. This comprehensive update will then follow the same workflow as the normal monthly reconciliations described above. The grant accounting position has been filled by an individual with detailed project accounting experience. The position has been filled for one month and further grant training will be provided as classes become available.

DEPARTMENT OF TRANSPORTATION

Finding 2006-2: Grant Administration

Condition: During the fiscal year ended September 30, 2006, the City Manager's office learned of deficiencies in Tyler Transit Inc.'s (Tyler Transit) administration of the grants noted above. Tyler Transit manages the City of Tyler's public transit system and related federal and state grants. The City's internal auditor and business services manager performed extensive work reconciling the activity of the grants, reviewing financial status reports, organizing grant documents, reviewing policy and procedures, and grant related contracts. Their work resulted in journal entries to correct expense classifications, accruals and deferrals of grant revenue and the City's matching requirements of these grants. In addition, vendor contracts and policies and procedures were, or are in, the process of necessary revisions. The City Manager office's intervention and oversight of this program during the year resulted in no questioned costs during our audit.

**CITY OF TYLER, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2007**

DEPARTMENT OF TRANSPORTATION – continued:

Finding 2006-2: Grant Administration – continued:

Recommendation: The City Manager's office should designate an individual with supervisory experience to provide oversight and monitoring of Tyler Transit's management and administration of the federal and state grants that support the City's public transportation system. Supervisory personnel should review and document their approval of Tyler Transit's monthly reconciliations of the transit grants' financial activity. This activity includes draw downs (revenues), expenditures, Financial Status Reports, policies and procedures and related contracts administered by Tyler Transit.

Current Status: As of June 08, 2007, the City of Tyler officially assumed responsibility and control of Tyler Transit. Airport Manager Davis Dickson was officially awarded full responsibility of all transit operations. The majority of Tyler Transit employees were automatically hired as City of Tyler employees. Immediately following the transition, all City of Tyler policies and procedures took precedence over any and all prior existing policies for Tyler Transit. The City's accounting department is working closely with Transit to reconcile its past activities on a monthly basis. On September 10, 2007, Mr. Dickson hired Gary Rushing to manage the day to day operations of the transit system. Mr. Rushing brings with him years of transit expertise and experience. New transit procedures and milestones for grant management have been established through meetings with accounting and transit personnel. In the near future, a new expense detailed form will be created to reflect and justify draw downs made from each grant. This form will be completed by Tyler Transit and sent to the accounting department immediately after a grant draw is executed. All reports and draw down requests will be electronically routed to the Airport Manager and Accounting Manager for monthly review. All involved contracts have been or in the process of being reviewed for the past several months. The Operations Manager is currently in the process of updating all financial status reports.

Meetings between Tyler Transit and the accounting department are scheduled on a routine basis. These meetings are held to discuss progress and facilitate improvement of all communications of their activities and oversight of the grant management.



A Natural Beauty



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable City Council and Audit Committee
City of Tyler, Texas

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tyler, Texas, as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon March 11, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Tyler, Texas' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Tyler, Texas' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Tyler, Texas' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Tyler, Texas' financial statements that is more than inconsequential will not be prevented or detected by the City of Tyler, Texas' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Tyler, Texas' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Tyler, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Tyler, Texas in a separate letter dated March 11, 2008.

**PROTHRO, WILHELM AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS**

This report is intended solely for the information and use of management, the audit committee, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Prothro Wilhelm & Company, PLLC
Certified Public Accountants

Tyler, Texas
March 11, 2008



**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

The Honorable City Council and Audit Committee
City of Tyler, Texas

Compliance

We have audited the compliance of City of Tyler, Texas with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. The City of Tyler, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Tyler, Texas' management. Our responsibility is to express an opinion on the City of Tyler, Texas' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Tyler, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Tyler, Texas' compliance with those requirements.

In our opinion, the City of Tyler, Texas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended September 30, 2007.

Internal Control Over Compliance

The management of the City of Tyler, Texas is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Tyler, Texas' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Tyler, Texas' internal control over compliance.

**PROTHRO, WILHELMI AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS**

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City of Tyler, Texas' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City of Tyler, Texas' internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, Mayor, City Council, management, federal and state award agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Prothro, Wilhelm & Company, PLLC

Certified Public Accountants

Tyler, Texas
March 11, 2008

**CITY OF TYLER, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Section I. – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(s) identified that are not considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal Control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(s) identified that are not considered to be material weaknesses? No

Type of auditor’s report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 or the State of Texas Single Audit Circular? No

Identification of major programs:

FEDERAL

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.871	Section 8 Housing Choice Voucher Program
20.507	Federal Transit Capital and Operating Assistance Formula
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities
20.505	Section 104F Grant MPO

Dollar threshold used to distinguish between Type A and Type B programs: \$ 465,398

City of Tyler was classified as a high-risk auditee in accordance with OMB Circular A-133.

**CITY OF TYLER, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.

STATISTICAL SECTION (UNAUDITED)

STATISTICAL SECTION

This part of the City of Tyler Texas' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends	115-121
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	122-125
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity	126-130
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	131-132
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	133-135
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	



A Natural Beauty

TABLE 1

CITY OF TYLER, TEXAS
NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS (1)
(accrual basis of accounting)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Governmental activities						
Invested in capital assets, net of related debt	\$ 191,659,914	\$ 213,663,400	\$ 211,924,238	\$ 208,396,601	\$ 207,182,671	\$ 210,591,077
Restricted	14,480,855	13,940,300	17,722,137	26,062,078	33,345,752	33,847,339
Unrestricted	36,142,611	13,824,023	18,090,555	20,124,780	23,641,384	24,690,983
Total governmental activities net assets	\$ 242,283,380	\$ 241,427,723	\$ 247,736,930	\$ 254,583,459	\$ 264,169,807	\$ 269,129,399
Business-type activities						
Invested in capital assets, net of related debt	\$ 93,823,398	\$ 113,796,393	\$ 126,955,956	\$ 130,848,615	\$ 132,481,137	\$ 136,990,101
Restricted	1,040,402	9,809,624	6,921,624	6,277,841	5,553,965	10,383,523
Unrestricted	61,313,378	36,385,067	26,619,426	26,279,373	27,994,475	20,912,997
Total business-type activities net assets	\$ 156,177,178	\$ 159,991,084	\$ 160,497,006	\$ 163,405,829	\$ 166,029,577	\$ 168,286,621
Primary government						
Invested in capital assets, net of related debt	\$ 285,483,312	\$ 327,459,793	\$ 338,880,194	\$ 339,245,216	\$ 339,663,808	\$ 347,581,178
Restricted	15,521,257	23,749,924	24,643,761	32,339,919	38,899,717	44,230,862
Unrestricted	97,455,989	50,209,090	44,709,981	46,404,153	51,635,859	45,603,980
Total primary government net assets	\$ 398,460,558	\$ 401,418,807	\$ 408,233,936	\$ 417,989,288	\$ 430,199,384	\$ 437,416,020

Source: Government-wide Statement of Net Assets

(1) City of Tyler first applied GASB Statement No. 34 in fiscal year 2002; government-wide financial information for years prior to fiscal year 2002 is not available.

TABLE 2
Page 1 of 2

CITY OF TYLER, TEXAS
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS (1)
(accrual basis of accounting)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Expenses						
Governmental activities:						
General government	\$ 8,496,768	\$ 7,810,926	\$ 7,178,812	\$ 7,457,535	\$ 5,573,690	\$ 6,426,203
Public safety	25,823,437	27,206,911	27,952,461	31,757,773	33,029,011	34,702,549
Highways and streets	5,157,064	14,857,558	11,450,585	6,097,617	11,006,417	17,047,887
Public services	12,737,742	9,530,408	14,644,612	18,796,772	16,343,022	13,951,231
Cultures and recreation	5,862,162	5,832,406	4,842,201	5,880,907	5,751,590	5,818,106
Interest on long term debt	575,516	506,102	335,321	295,946	252,779	260,027
Total governmental activities expenses	58,652,689	65,744,311	66,403,992	70,286,550	71,956,509	78,206,003
Business-type activities:						
Water and sewer	15,458,795	16,916,663	21,249,718	23,933,574	27,076,159	27,457,606
Sanitation	6,925,144	8,008,148	7,190,230	7,349,545	8,162,384	9,371,472
Airport	1,594,141	1,871,953	1,740,939	1,744,009	1,887,221	1,902,590
Total business-type activities expenses	23,978,080	26,796,764	30,180,887	33,027,128	37,125,764	38,731,668
Total primary government expenses	\$ 82,630,769	\$ 92,541,075	\$ 96,584,879	\$ 103,313,678	\$ 109,082,273	\$ 116,937,671
Program Revenues						
Governmental activities:						
Charges for services:						
General government	\$ 5,116,991	\$ 4,869,033	\$ 7,097,356	\$ 6,029,023	\$ 2,196,871	\$ 1,367,849
Public safety	3,620,232	3,656,734	4,710,487	4,789,289	5,256,407	5,869,061
Highways and streets	113,675	124,524	134,221	122,430	108,977	108,658
Public services	858,344	730,677	875,250	923,159	2,219,649	1,849,755
Cultures and recreation	570,670	1,414,379	902,102	848,073	1,755,189	1,670,000
Operating grants and contributions	6,530,677	7,919,370	9,652,510	10,732,572	10,100,985	11,667,106
Capital grants and contributions	4,586,916	439,748	702,594	1,025,441	1,038,003	664,756
Total governmental activities program revenues	21,397,505	19,154,465	24,074,520	24,469,987	22,676,081	23,197,185
Business-type activities:						
Charges for services:						
Water and sewer	19,422,795	20,325,519	21,193,367	23,474,563	27,510,442	24,220,110
Sanitation	6,900,825	7,418,680	8,171,792	8,784,501	9,196,133	9,478,869
Airport	210,945	214,723	1,142,029	1,282,408	1,048,121	1,093,674
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	-	146,808	227,805	1,834,325	1,171,731	4,395,723
Total business-type activities program revenues	26,534,565	28,105,730	30,734,993	35,375,797	38,926,427	39,188,376
Total primary government program revenues	\$ 47,932,070	\$ 47,260,195	\$ 54,809,513	\$ 59,845,784	\$ 61,602,508	\$ 62,385,561
Net (expense)/revenue	\$ (37,255,184)	\$ (46,589,846)	\$ (42,329,472)	\$ (45,816,563)	\$ (49,280,428)	\$ (55,008,818)
Governmental activities	2,556,485	1,308,966	554,106	2,348,669	1,800,663	456,708
Business-type activities	\$ (34,698,699)	\$ (45,280,880)	\$ (41,775,366)	\$ (43,467,894)	\$ (47,479,765)	\$ (54,552,110)
Total primary government net expense						

CITY OF TYLER, TEXAS
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS (1)
(accrual basis of accounting)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Property taxes	\$ 10,710,574	\$ 10,904,265	\$ 11,260,696	\$ 12,011,517	\$ 12,314,640	\$ 12,622,887
Franchise taxes	8,282,437	8,432,209	8,361,246	6,928,917	8,676,103	8,283,477
Sales and use taxes	25,805,742	26,475,006	28,398,933	32,235,770	35,094,518	36,972,343
Unrestricted investment earnings and use of money and property	1,158,852	835,144	544,607	1,181,976	2,540,255	3,218,698
Gain (loss) on sale of assets	200,220	154,845	182,141	216,729	51,294	(389,284)
Equity in earnings of joint venture	-	-	-	-	66,000	-
Transfers	(6,991,940)	(1,067,280)	(108,944)	23,103	123,963	(739,711)
Total governmental activities	39,165,885	45,734,189	48,638,679	52,598,012	58,866,773	59,968,410
Business-type activities:						
Unrestricted investment earnings and use of money and property	1,473,822	1,244,536	396,603	564,244	816,200	1,000,842
Gain (loss) on sale of assets	36,940	193,124	(553,731)	19,013	130,848	59,783
Transfers	6,991,940	1,067,280	108,944	(23,103)	(123,963)	739,711
Total business-type activities	8,502,702	2,504,940	(48,184)	560,154	823,085	1,800,336
Total primary government	\$ 47,668,587	\$ 48,239,129	\$ 48,590,495	\$ 53,158,166	\$ 59,689,858	\$ 61,768,746
Change in Net Assets						
Governmental activities	\$ 1,910,701	\$ (855,657)	\$ 6,309,207	\$ 6,781,449	\$ 9,586,345	\$ 4,959,592
Business-type activities	11,059,187	3,813,906	505,922	2,908,823	2,623,748	2,257,044
Total primary government	\$ 12,969,888	\$ 2,958,249	\$ 6,815,129	\$ 9,690,272	\$ 12,210,093	\$ 7,216,636

Source: Government-wide Statement of Activities

(1) City of Tyler first applied GASB Statement No. 34 in fiscal year 2002; government-wide financial information for years prior to fiscal year 2002 is not available.

TABLE 3

CITY OF TYLER, TEXAS
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS (1)
(accrual basis of accounting)

Fiscal Year	Property Tax	Franchise Tax	Sales and Use Tax (2)	Total
2002	\$ 10,710,574	\$ 8,282,437	\$ 25,805,742	\$ 44,798,753
2003	10,904,265	8,432,209	26,475,006	45,811,480
2004	11,260,696	8,361,246	28,398,933	48,020,875
2005	12,011,517	8,008,660	32,235,770	52,255,947
2006	12,314,640	8,676,103	35,094,518	56,085,261
2007	12,622,887	8,283,477	36,972,343	57,878,707

Source: Government-wide Statement of Activities

(1) City of Tyler first applied GASB Statement No. 34 in fiscal year 2002; government-wide financial information for years prior to fiscal year 2002 is not available.

(2) Texas law prohibits the disclosure of Sales and Use Tax revenues by source.

TABLE 4

CITY OF TYLER, TEXAS
 FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (modified accrual basis of accounting)

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved For:										
Inventory	\$ 212	\$ 7,585	\$ 6,114	\$ 6,564	\$ 6,991	\$ 4,373	\$ 13,724	\$ 2,029	\$ 10,026	\$ 14,505
Prepaid Items	52,446	51,643	43,597	45,307	232,846	168,750	43,277	45,996	46,176	240,129
Perpetual Care	-	-	-	-	-	-	-	-	-	-
Court Ordered Disbursements	-	-	-	-	-	27,567	53,316	60,653	74,739	216,351
Debt Service	-	-	-	-	-	-	-	-	-	-
Grants / Donations	-	-	-	-	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-	-	-	-	-
Court Security	58,625	91,912	110,498	69,764	46,130	43,459	35,082	23,136	-	-
Court Time Payments	13,550	24,215	28,669	24,370	-	-	-	-	-	-
Court Technology	-	-	58,539	115,930	241,477	211,271	226,856	-	-	-
Utility Rate	-	-	-	-	-	-	-	-	-	-
Unreserved Fund Balance	-	-	-	-	-	-	-	363,238	500,000	500,000
Designated For:										
T.U. Rate Litigation	500,000	500,000	500,000	500,000	500,000	-	-	-	-	-
Operating Reserve	1,500,000	1,500,000	1,500,000	2,000,000	2,000,000	2,000,000	2,000,000	4,894,292	4,633,379	7,305,209
Undesignated	3,863,391	3,790,047	4,896,447	5,719,669	4,624,888	4,023,338	5,266,322	5,342,557	4,734,390	2,476,067
Total General Fund	\$ 5,988,224	\$ 5,965,402	\$ 7,143,864	\$ 8,481,604	\$ 7,652,332	\$ 6,478,758	\$ 7,638,577	\$ 10,731,901	\$ 9,998,710	\$ 10,752,261
1/2 Cent Sales Tax fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 6,017,199	\$ 8,847,230	\$ 12,418,065	\$ 18,375,571	\$ 23,194,704	\$ 23,263,920
Unreserved	9,958,014	9,690,974	6,606,209	9,684,205	-	-	-	-	-	-
Total 1/2 Cent Sales Tax fund	\$ 9,958,014	\$ 9,690,974	\$ 6,606,209	\$ 9,684,205	\$ 6,017,199	\$ 8,847,230	\$ 12,418,065	\$ 18,375,571	\$ 23,194,704	\$ 23,263,920
All Other Governmental Funds										
Reserved For:										
Prepaid Items	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Perpetual Care	-	-	-	-	1,806,298	1,882,512	1,979,675	2,036,054	2,036,054	2,270,281
Court Ordered Disbursements	-	-	-	-	31,211	65,898	149,436	162,090	162,090	289,549
Long-term Notes Receivable	1,257	-	-	-	-	-	-	-	-	-
Debt Service	6,334,859	6,402,553	6,519,457	5,187,778	5,297,472	2,462,596	2,519,455	2,612,169	2,937,710	3,311,936
Grants / Donations	-	-	-	-	801,231	399,767	340,252	709,502	1,600,970	1,867,206
Capital Projects	-	-	-	-	-	-	-	1,798,288	3,339,485	2,730,413
Court Security	-	-	-	-	-	-	-	-	-	-
Court Technology	-	-	-	-	-	-	-	284,618	284,618	349,616
Unreserved, Reported In:										
Special Revenue Funds	2,685,334	2,112,362	2,254,699	2,119,501	481,422	285,537	1,839,007	4,070,662	5,782,970	5,829,609
Capital Projects Funds	850,707	673,890	-	-	-	-	-	-	-	-
Permanent Funds	-	-	-	-	1,111,326	942,765	809,246	-	-	452,218
Total All Other Governmental Funds	\$ 9,872,157	\$ 9,188,805	\$ 8,774,156	\$ 7,307,279	\$ 9,528,960	\$ 6,039,075	\$ 7,637,071	\$ 11,673,383	\$ 16,143,897	\$ 17,100,828

Source: Governmental Funds Balance Sheet

TABLE 5

CITY OF TYLER, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
Taxes	\$ 42,133,355	\$ 40,675,465	\$ 42,198,077	\$ 44,492,808	\$ 45,143,135	\$ 45,390,430	\$ 47,846,213	\$ 51,246,422	\$ 56,049,187	\$ 57,895,447
Licenses and permits	647,087	628,986	642,352	602,246	674,411	710,908	882,812	805,151	876,289	1,277,127
Fines, forfeitures, and penalties	2,759,611	3,184,805	3,370,144	3,551,206	3,760,579	3,829,460	4,710,487	4,789,289	5,256,407	5,869,061
Revenues from use of money or property	2,142,456	1,929,259	2,030,908	1,848,336	1,068,738	721,398	713,117	1,225,894	2,238,479	2,716,977
Charges for current services	157,833	126,630	105,844	193,139	2,835,809	2,739,037	2,744,510	2,494,849	2,499,369	2,588,688
Revenues from other agencies	9,083,461	9,848,074	9,844,319	10,533,389	11,370,307	8,668,652	10,374,859	11,020,639	11,357,757	11,083,735
Donations	117,448	9,841	8,359	-	207,941	85,775	62,986	184,723	229,307	731,232
Miscellaneous	668,651	477,812	439,362	497,820	370,640	521,160	2,562,170	1,999,614	2,110,524	1,258,817
Total revenues	57,709,902	56,880,872	58,639,365	61,718,944	65,431,560	62,666,820	69,897,154	73,766,581	80,617,319	83,421,084
Expenditures										
General government	5,369,400	6,970,452	4,804,812	4,933,949	5,930,462	5,884,798	6,114,458	6,529,834	7,126,409	6,911,903
Public safety	18,435,339	19,705,351	20,457,321	22,032,265	24,802,146	25,965,091	27,221,728	28,590,020	30,165,850	31,814,585
Public services	18,966,404	19,429,277	14,803,843	16,823,888	9,602,867	9,609,601	11,491,711	11,533,500	13,552,815	15,221,282
Highways and streets	-	-	-	-	7,885,524	6,553,076	6,183,028	5,863,568	5,197,445	4,774,083
Culture and recreation	5,194,057	6,520,738	4,584,158	4,094,617	4,372,026	4,006,253	3,406,621	5,123,588	4,836,104	4,812,659
Capital outlay	2,988,995	1,290,432	12,766,799	11,118,781	9,415,800	8,074,677	7,476,587	8,283,861	9,756,670	16,283,239
Debt service	-	-	-	-	-	-	-	-	-	-
Principal	2,552,468	1,165,123	1,209,290	2,540,000	1,090,000	4,015,000	880,000	960,000	1,000,000	1,030,000
Interest	3,441,042	973,809	873,752	694,887	576,021	529,560	340,617	301,466	258,030	211,733
Total expenditures	56,947,705	56,055,182	59,499,975	62,238,387	63,674,846	64,638,056	63,114,750	67,185,837	71,893,323	81,059,484
Excess of revenues over (under) expenditures	762,197	825,690	(860,610)	(519,443)	1,756,714	(1,971,236)	6,782,404	6,580,744	8,723,996	2,361,600
Other financing sources (uses)										
Refunding bond proceeds	8,744,136	-	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	(8,744,136)	-	-	-	-	-	-	-	-	-
Transfers in	3,628,230	426,334	476,686	5,566,692	1,043,618	766,078	227,669	3,038,989	3,915,226	2,571,195
Transfers out	(2,280,927)	(2,229,063)	(1,948,116)	(2,112,938)	(8,031,784)	(628,799)	(712,169)	(3,009,013)	(4,086,833)	(3,161,071)
Sale of capital assets	5,106	3,825	11,088	14,548	9,716	529	30,746	4,106	4,067	7,975
Total other financing sources (uses)	1,352,409	(1,798,904)	(1,460,342)	3,468,302	(6,978,450)	137,808	(453,754)	34,082	(167,540)	(581,901)
Net Change in fund balances	\$ 2,114,606	\$ (973,214)	\$ (2,320,952)	\$ 2,948,859	\$ (5,221,736)	\$ (1,833,428)	\$ 6,328,650	\$ 6,614,826	\$ 8,356,456	\$ 1,779,699
Debt service as a percentage of noncapital expenditures	11.11%	3.91%	4.46%	6.33%	3.38%	8.06%	2.22%	2.14%	2.00%	1.92%

Source: Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances

Note: To properly calculate the debt service as a percentage of noncapital expenditures, only those expenditures for Capital Assets are deducted from total expenditures. This amount may or may not be equal to total Capital Outlay as stated in the Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds.

TABLE 6

CITY OF TYLER, TEXAS
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS (1)
(modified accrual basis of accounting)

Fiscal Year	Property Tax	Franchise Tax	Sales and Use Tax (1)	Total
1998	12,136,519	5,746,738	24,250,098	42,133,355
1999	10,067,009	5,814,846	24,793,610	40,675,465
2000	10,219,673	5,860,670	26,117,734	42,198,077
2001	10,598,897	7,316,802	26,577,109	44,492,808
2002	10,798,396	6,994,657	27,350,082	45,143,135
2003	10,954,323	7,038,607	27,397,500	45,390,430
2004	11,377,495	8,361,246	28,398,933	48,137,674
2005	12,081,735	8,008,660	32,235,770	52,326,165
2006	12,278,566	8,676,103	35,094,518	56,049,187
2007	12,639,627	8,283,477	36,972,343	57,895,447

Source: Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances

(1) Texas law prohibits the disclosure of Sales and Use Tax revenues by source.

TABLE 7

CITY OF TYLER, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year Ended September 30	Real Property			Personal Property	Mineral Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Residential Property	Commercial Property	Property					
1998	2,336,349,850	N/A	684,136,444	N/A	N/A	N/A	\$ 3,020,486,294	0.393640
1999	2,508,008,904	N/A	689,297,785	N/A	N/A	N/A	3,197,306,689	0.311410
2000	2,663,151,956	N/A	716,222,434	N/A	N/A	N/A	3,379,374,390	0.295370
2001	2,943,394,224	N/A	777,656,574	N/A	N/A	N/A	3,721,050,798	0.279810
2002	3,286,256,501	N/A	765,795,045	N/A	N/A	N/A	4,052,051,546	0.261965
2003	3,385,651,770	N/A	841,654,638	N/A	N/A	N/A	4,227,306,408	0.254478
2004	3,596,007,053	N/A	847,897,914	N/A	N/A	N/A	4,443,904,967	0.248855
2005	3,870,045,626	N/A	887,192,373	N/A	N/A	N/A	4,757,237,999	0.248855
2006	4,175,143,416	N/A	913,370,752	N/A	N/A	N/A	5,088,514,168	0.238375
2007	4,605,458,224	N/A	964,343,105	N/A	N/A	N/A	5,569,801,329	0.223657

Source: Smith County Appraisal District

Note: Property is assessed at 100% of actual value for all types of real and personal property. Tax rates are per \$100 of assessed value. At this time no distinction is made between residential and commercial property.

N/A - Not available

TABLE 8

**CITY OF TYLER, TEXAS
PROPERTY TAX RATES*
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

Fiscal Year Ended	City of Tyler		Total**	Overlapping Rates			Total Direct and Overlapping Rates		
	Operating	Debt Service		Smith County Total	Tyler			Chapel Hill	
					ISD	Total		ISD	Total
1998	0.253890	0.139750	0.393640	1.31609	0.12230	1.45370	1.37000		
1999	0.253890	0.057520	0.311410	1.33609	0.12230	1.49370	1.51000		
2000	0.243011	0.052359	0.295370	1.36000	0.12230	1.55000	1.48480		
2001	0.237461	0.042349	0.279810	1.36000	0.12230	1.59000	1.48900		
2002	0.220646	0.041319	0.261965	1.41500	0.12230	1.59000	1.48400		
2003	0.215132	0.039346	0.254478	1.47000	0.12230	1.59000	1.52300		
2004	0.221394	0.027461	0.248855	1.46000	0.12230	1.59000	1.50300		
2005	0.221394	0.027461	0.248855	1.46000	0.12720	1.59000	1.50300		
2006	0.210131	0.028244	0.238375	1.54020	0.12720	1.59000	1.52800		
2007	0.198080	0.025577	0.223657	1.21500	0.12720	1.24000	1.20000		

Sources: Smith County Appraisal District
Chapel Hill ISD
City of Tyler

Note:

* Rates are per \$100 valuation.

** The City Charter limits the City's property tax rate to \$1.75 per \$100 of assessed valuation.

TABLE 9

**CITY OF TYLER, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	2007				1998			
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value *		Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value ^b	
			Value	%			Value	%
Delek Refining (La Gloria)	\$ 144,850,172	1	2.60%		\$ 61,563,930	2	2.04%	
Trane / American Standard	118,370,733	2	2.13%		55,008,244	3	1.82%	
Brookshire Grocery Company	103,953,098	3	1.87%		64,750,679	1	2.14%	
Sam's / Walmart	72,711,968	4	1.31%		24,153,328	9	0.80%	
Genecov Investment	56,263,940	5	1.01%		21,796,093	10	0.72%	
TXU / Oncor Electric	47,944,027	6	0.86%		35,944,600	6	1.19%	
Simon Property Group	46,559,890	7	0.84%		38,250,000	5	1.27%	
Carrier Corporation	39,177,006	8	0.70%		35,445,806	7	1.17%	
AT&T	34,023,290	9	0.61%		39,132,400	4	1.30%	
Suddenlink (Cox Communications)	30,892,241	10	0.55%		-	-	0.00%	
Steven C. Roosth	-	-	-		28,960,913	8	0.96%	
Total	\$ 694,746,365		12.47%		\$ 405,005,993		13.41%	

Source: Smith County Appraisal District

Note:

* Total taxable value including real and personal property for tax year 2006 (fiscal year 2007) is \$5,569,801,329.

^b Total taxable value including real and personal property for tax year 1997 (fiscal year 1998) is \$3,020,486,294.

TABLE 10

CITY OF TYLER, TEXAS
 PROPERTY TAX LEVIES AND COLLECTIONS
 LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1998	11,885,938	11,734,756	98.7%	131,535	11,866,291	99.8%
1999	9,956,733	9,718,544	97.6%	221,873	9,940,417	99.8%
2000	9,992,642	9,773,079	97.8%	198,088	9,971,167	99.8%
2001	10,412,559	10,202,005	98.0%	187,872	10,389,877	99.8%
2002	10,614,957	10,370,865	97.7%	215,961	10,586,826	99.7%
2003	10,757,565	10,495,402	97.6%	230,597	10,725,999	99.7%
2004	11,058,880	10,924,880	98.8%	96,184	11,021,064	99.7%
2005	11,838,625	11,698,410	98.8%	87,179	11,785,589	99.6%
2006	12,126,834	11,909,913	98.2%	96,498	12,006,411	99.0%
2007	12,461,722	12,228,627	98.1%	-	12,228,627	98.1%

Source: Smith County Tax Assessor/Collector

TABLE 11

CITY OF TYLER, TEXAS
 RATIO OF OUTSTANDING DEBT BY TYPE
 LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities		Business-Type Activities				Total Primary Government	Percentage of Personal Income*	Per Capita*
	General Obligation Bonds		Water and Sewer Bonds	Other Obligations					
1998	17,311,228		8,640,000	801,196		26,752,424	N/A	329	
1999	16,086,702		7,060,000	490,602		23,637,304	N/A	285	
2000	14,825,000		4,320,000	284,270		19,429,270	1.15%	232	
2001**	12,285,000		36,575,000	93,716		48,953,716	2.81%	580	
2002	11,195,000		49,325,000	-		60,520,000	3.38%	707	
2003	7,180,000		62,075,000	-		69,255,000	3.75%	802	
2004	6,300,000		59,990,000	-		66,290,000	3.07%	656	
2005	5,340,000		58,105,000	-		63,445,000	2.85%	622	
2006	4,340,000		56,415,000	-		60,755,000	2.65%	574	
2007	3,310,000		53,975,000	-		57,285,000	2.43%	531	

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

* See Table 16 for personal income and population data

** Revenue bonds issued for the construction of a new water treatment plant resulted in a 75% increase in production capacity in 2003 (see table 19).

TABLE 12

**CITY OF TYLER, TEXAS
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property ^a	Per Capita ^b
	General Obligation Bonds	Debt Service Fund Balance	Total		
1998	17,311,228	(6,334,859)	10,976,369	0.36%	135.00
1999	16,086,702	(6,402,553)	9,684,149	0.30%	117.00
2000	14,825,000	(6,519,457)	8,305,543	0.25%	99.00
2001	12,285,000	(5,187,778)	7,097,222	0.19%	84.00
2002	11,195,000	(5,297,475)	5,897,525	0.15%	69.00
2003	7,180,000	(2,462,596)	4,717,404	0.11%	55.00
2004	6,300,000	(2,519,455)	3,780,545	0.09%	37.00
2005	5,340,000	(2,612,169)	2,727,831	0.06%	27.00
2006	4,340,000	(2,937,710)	1,402,290	0.03%	13.00
2007	3,310,000	(3,311,936)	(1,936)	n/a	-

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

^aSee Table 7 for property value data.

^bSee Table 16 for population data.

TABLE 13

**CITY OF TYLER, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2007**

<u>Governmental Unit</u> Debt repaid with property taxes	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
Smith County	\$ 14,000,000	50.08%	\$ 7,011,200.00
Tyler Independent School District	116,074,000	71.04%	82,458,969.60
Tyler Junior College	53,981,546	65.00%	35,088,004.90
Chapel Hill Independent School District	26,000,000	19.15%	4,979,000.00
Whitehouse Independent School District	39,145,017	27.37%	10,713,991.15
Subtotal, overlapping debt			<u>140,251,165.65</u>
City of Tyler (direct debt)	3,310,000.00	100%	3,310,000.00
Total direct and overlapping debt			<u><u>\$ 143,561,165.65</u></u>

Source: Debt outstanding data provided by each governmental unit.

Note:

* The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the City's taxable assessed value that is within the government's boundaries and dividing it by the City's total taxable assessed value.

CITY OF TYLER, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt limit	\$ 302,048,629	\$ 319,730,669	\$ 337,937,439	\$ 372,105,080	\$ 405,205,155	\$ 422,730,641	\$ 444,390,497	\$ 475,723,700	\$ 508,729,254	\$ 556,980,133
Total net debt applicable to limit	10,976,369	9,684,149	8,305,543	7,097,222	5,897,528	4,717,404	3,837,404	2,727,831	1,402,290	(1,936)
Legal debt margin	\$ 291,072,260	\$ 310,046,520	\$ 329,631,896	\$ 365,007,858	\$ 399,307,627	\$ 418,013,237	\$ 440,553,093	\$ 472,995,869	\$ 507,326,964	\$ 556,982,069
Total net debt applicable to limit as a percentage of debt limit	3.63%	3.03%	2.46%	1.91%	1.46%	1.12%	0.86%	0.57%	0.28%	-

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed value	\$ 5,569,801,329
Add back: exempt real property	-
Total assessed value	\$ 5,569,801,329
Debt limit (10% of total assessed value)	556,980,133
Debt applicable to limit:	3,310,000
General obligation bonds	(3,311,936)
Less: Amount set aside for repayment of general obligation bond	(1,936)
Total net debt applicable to limit	\$ 556,982,069
Legal debt margin	

Note: The City of Tyler Charter limits the bonded debt to ten percent of assessed value. By law the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

TABLE 15

CITY OF TYLER, TEXAS
 PLEDGED-REVENUE COVERAGE
 LAST TEN FISCAL YEARS

Fiscal Year	Water and Sewer Revenue Bonds					Times Coverage
	Total Revenues ^a	Less: Operating Expenses ^b	Net Available Revenue	Annual Debt Service Requirement		
1998	19,545,732	11,990,644	7,555,088	2,209,000	3.42	
1999	17,988,575	10,820,724	7,167,851	2,186,000	3.28	
2000	21,018,596	10,971,621	10,046,975	1,749,000	5.74	
2001	22,128,740	11,650,924	10,477,816	3,207,000	3.27	
2002	20,333,765	13,175,383	7,158,382	3,586,000	2.00	
2003	20,881,233	13,208,108	7,673,125	4,213,000	1.82	
2004	21,512,319	14,249,230	7,263,089	5,098,000	1.42	
2005	23,558,778	15,617,537	7,941,241	5,065,000	1.57	
2006	27,662,494	18,536,218	9,126,276	4,339,199	2.10	
2007	24,697,562	18,140,470	6,557,092	5,054,550	1.30	

Note: ^aIncludes operating and non-operating revenues.

^bIncludes operating expenses minus depreciation plus net transfers out.

Source: Comprehensive Annual Financial Report

TABLE 16

CITY OF TYLER, TEXAS
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS

Fiscal Year	Estimated Population ¹	Estimated Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age ²	Education Level in Years of Formal Schooling ²	School Enrollment ³	Unemployment Rate ²
1998	81,303	n/a	n/a	34.8	n/a	16,672	4.9%
1999	82,908	n/a	n/a	34.6	n/a	16,587	3.9%
2000	83,650	\$ 1,688,559	\$ 20,186	34.6	n/a	16,630	4.2%
2001	84,400	1,739,216	20,607	34.1	n/a	16,778	4.3%
2002	85,603	1,791,392	20,927	34.2	n/a	16,626	4.9%
2003	86,371	1,845,134	21,363	34.2	n/a	16,702	5.0%
2004	101,106	2,159,927	21,363	34.1	n/a	17,394	4.6%
2005	102,001	2,224,725	21,811	34.1	n/a	17,489	4.7%
2006	105,873	2,291,467	21,643	34.1	13.6	17,548	4.8%
2007	107,802	2,360,211	21,894	34.1	13.6	18,040	4.7%

Data sources:

¹Bureau of Census/Population Study

²Tyler Economic Development Council

³Tyler Independent School District

Note: Population, median age, and education level information are based on surveys conducted during the last quarter of the calendar year.

Personal income information is from the 2000 year census using a 3.0% growth rate and adjusting for the 2004 population study results.

Unemployment rate information is an adjusted yearly average.

School enrollment is based on the census at the start of the school year.

n/a - Data not available.

TABLE 17

CITY OF TYLER, TEXAS
 PRINCIPAL EMPLOYERS
 CURRENT YEAR AND NINE YEARS AGO

Employer	2007			1998		
	Employees	Rank	Percentage of Total City Employment (1)	Employees	Rank	Percentage of Total City Employment (2)
East Texas Medical Center *	3,650	1	7.7%	3,050	1	6.9%
Trinity Mother Francis *	3,522	2	7.4%	2,170	3	4.9%
Tyler Independent School District	2,566	3	5.4%	2,150	4	4.8%
Trane Company *	2,112	4	4.5%	2,000	5	4.5%
Brookshire Grocery Company *	1,888	5	4.0%	2,470	2	5.6%
Wal-Mart	1,297	6	2.7%	-	-	-
Carrier Corporation	1,202	7	2.5%	1,050	9	2.4%
SuddenLink*	1,033	8	2.2%	-	-	-
The University of Texas Health Center at Tyler	860	9	1.8%	1,450	6	3.3%
The University of Texas at Tyler	857	10	1.8%	-	-	-
Goodyear Tire and Rubber	-	-	-	1,450	7	3.3%
Tyler Pipe	-	-	-	1,100	8	2.5%
City of Tyler	-	-	-	971	10	2.2%
Total	18,987		40.0%	17,861		40.2%

Source: Tyler Economic Development Council

* Headquarters located in Tyler.

(1) total city employment of 47,301

(2) total city employment of 44,400

TABLE 18

CITY OF TYLER, TEXAS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

Function	Full-time Equivalent Employees as of September 30									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government	132	132	107	109	73	71	69	68	69	63
Public safety	382	382	388	388	394	402	400	392	395	373
Highways and streets	42	42	45	42	68	76	72	68	61	73
Public Services	18	18	15	14	22	19	22	24	27	55
Culture and Recreation	70	70	71	81	71	71	76	79	86	83
Water & sewer	83	83	78	78	92	91	91	89	96	88
Sanitation	49	49	46	40	42	45	38	40	41	36
Airport	6	6	7	6	11	11	10	10	9	10
Total	782	782	757	758	773	786	778	770	784	781

Source: Human Resources Office

TABLE 19

CITY OF TYLER, TEXAS
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government										
Accounting										
Dollar value of accounts payable	n/a	n/a	\$ 61,586,258	\$ 70,580,952	\$ 83,704,062	\$ 84,603,170	\$ 63,628,562	\$ 61,345,219	\$ 64,263,337	\$ 73,895,738
Legal										
Number of ordinances prepared and adopted	n/a	n/a	n/a	40	59	73	96	80	103	130
Number of resolutions prepared and adopted	n/a	n/a	n/a	32	25	27	27	26	31	36
Public Safety										
Police										
Number of sworn officers	177	175	175	175	182	182	182	182	182	182
Fire										
Number of structure fires	157	178	185	149	150	164	140	185	171	180
Highways and Streets										
Streets										
Percentage of city streets graded A condition	n/a	n/a	41.6%	48.2%	52.0%	57.1%	58.4%	59.5%	61.3%	61.0%
Traffic										
Number of traffic signals maintained	119	123	125	126	126	126	129	130	133	133
Public Services										
Planning and Zoning										
Number of historic building designations awarded	7	2	1	0	1	4	4	4	7	5
Culture and Recreation										
Parks										
Amount of park acreage maintained	950	950	1113.43	1113.43	1113.43	1113.43	1113.4	1113.4	1113.4	1113.4
Number of rose bushes planted	2000	2000	2000	1500	1500	1500	1500	1500	1765	1829
Library *										
Total number of volumes owned	171,997	179,602	186,470	193,844	201,734	162,930	170,251	201,822	n/a	233,966
Water & sewer										
Average volume of wastewater treated daily (gallons)	12.3 million	13.7 million	13.4 million	14.7 million	12.9 million	12.9 million	12.8 million	12.5 million	11.7 million	14.2 million
Average monthly volume of water production (gallons)	634.9 million	623.5 million	664.2 million	611.8 million	595.1 million	621.2 million	611.5 million	732.3 million	771.8 million	585.5 million
Water production capability (gallons per day)	n/a	40 million	40 million	40 million	40 million	70 million	70 million	70 million	70 million	70 million
Average monthly revenue billed	\$ 1,487,626	\$ 1,389,438	\$ 1,634,985	\$ 1,619,768	\$ 1,618,566	\$ 1,693,793	\$ 1,766,114	\$ 1,929,895	\$ 2,226,541	\$ 1,977,370
Sanitation										
Number of residential customers	22,636	23,487	25,689	25,618	25,960	25,822	26,572	26,783	27,351	27,658
Number of curbside garbage carts in use	-	50	65	2,656	4,175	6,933	8,831	10,592	14,773	23,572
Airport										
Annual Gallons of Fuel Flowage	1,401,924	1,402,239	1,398,442	1,208,096	1,084,336	1,095,953	1,076,289	1,053,211	1,000,090	1,056,595
Number of annual enplanements	72,616	77,795	74,563	63,834	55,578	60,284	70,549	85,681	78,971	78,416

Source: City Departments
n/a - Data not available.

* In 2003 the library system was automated and not all volumes were entered into the database. In 2005 e-books were included in the data base for the first time.

TABLE 20

CITY OF TYLER, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007*
Public Safety										
Police Stations	2	2	3	3	3	3	3	3	3	4
Police Patrol Units	n/a	n/a	n/a	n/a	n/a	n/a	n/a	44	51	61
Police Motorcycle Units	10	10	10	10	11	11	11	11	11	11
Fire Stations	8	8	9	9	9	9	9	9	9	9
Highways and Streets										
City Maintained Paved Streets- (miles)	n/a	n/a	445.32	446.27	446.58	448.09	451.78	452.32	462.43	468.43
Annual Street Overlays- (miles)	n/a	n/a	29.78	29.21	16.64	22.18	4.41	4.76	3.86	2.16
Public Services										
Transit Buses	5	7	7	11	11	13	15	15	15	17
Culture and Recreation										
Parks (acres)	950	950	1113.43	1113.43	1113.43	1113.43	1113.4	1113.4	1113.4	1113.4
Playgrounds	17	17	17	17	17	17	17	17	23	21
Swimming Pools	2	2	2	2	2	2	2	2	2	2
Recreation Centers	3	3	3	3	3	3	3	3	3	3
Senior Centers	1	1	1	1	1	1	1	1	1	1
Public Library	1	1	1	1	1	1	1	1	1	1
Water & sewer										
Water mains (miles)	587.8	587.8	587.8	587.8	587.8	587.8	582	582	582	590
Fire Hydrants	2444	2444	2444	2444	2444	2444	2403	2403	2403	3450
Water Plants	1	1	1	1	1	2	2	2	2	2
Sanitary Sewers (miles)	517.11	517.11	517.11	517.11	517.11	517.11	508	508	508	519
Sanitation										
Garbage Trucks	n/a	n/a	n/a	n/a	n/a	n/a	n/a	39	39	40
Airport										
Airport Terminal	1	1	1	1	1	1	1	1	1	1
Airport Runways	3	3	3	3	3	3	3	3	3	3

Source: City Departments
n/a - Data not available.
* In FY 2007

A complete inventory of firehydrants was completed in Fiscal Year 2007 for mapping updates to the GIS system. Two playgrounds were closed due to land swaps and renovations but will be reestablished in the future.



A Natural Beauty